GENESCO

Form 10-Q

(Mark One)
☑ Quarterly Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934
For Quarter Ended October 30, 2004

o Transition Report Pursuant To Section 13 or 15(d) of the Securities Exchange Act of 1934

Securities and Exchange Commission

Washington, D.C. 20549
Commission File No. 1-3083

Genesco Inc.

A Tennessee Corporation
I.R.S. No. 62-0211340
Genesco Park
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Nashville, Tennessee 37217-2895
Telephone 615/367-7000

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports) and (2) has been subject to such filing requirements for the past 90 days.

Yes ☑ No o

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes ☑ No o

Common Shares Outstanding November 26, 2004 – 22,299,364

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PART I — FINANCIAL INFORMATION

Item 1. Financial Statements
Genesco Inc. and Subsidiaries
Consolidated Balance Sheets
In Thousands, except share amounts

	October 30, 2004	January 31, 2004	November 1, 2003
Assets			
Current Assets			
Cash and cash equivalents	**$ 15,012**	$ 81,549	$ 44,306
Accounts receivable, net of allowances of $2,409 at October 30, 2004, $3,334 at January 31, 2004 and $2,743 at November 1, 2003	**18,823**	12,515	18,731
Inventories	**265,733**	167,234	205,918
Deferred income taxes	**10,510**	7,633	8,523
Prepaids and other current assets	**17,706**	14,835	14,004
Total current assets	**327,784**	283,766	291,482
Property and equipment:			
Land	**4,972**	4,856	4,856
Buildings and building equipment	**14,336**	13,917	13,743
Machinery	**52,790**	45,174	46,339
Furniture and fixtures	**56,097**	45,305	45,203
Construction in progress	**7,231**	3,469	6,010
Improvements to leased property	**126,902**	104,941	103,916
Property and equipment, at cost	**262,328**	217,662	220,067
Accumulated depreciation	**(110,203)**	(95,995)	(93,225)
Property and equipment, net	**152,125**	121,667	126,842
Deferred income taxes	**-0-**	18,137	20,624
Goodwill	**97,430**	-0-	-0-
Trademarks	**47,621**	-0-	-0-
Other intangibles, net of accumulated amortization of $1,350 at October 30, 2004, $-0- at January 31, 2004 and $-0- at November 1, 2003	**7,236**	-0-	-0-
Other noncurrent assets	**9,243**	6,617	6,678
Total Assets	**$ 641,439**	$430,187	$445,626

Genesco Inc. and Subsidiaries
Consolidated Balance Sheets
In Thousands, except share amounts

	October 30, 2004	January 31, 2004	November 1, 2003
Liabilities and Shareholders' Equity			
Current Liabilities			
Accounts payable	**$ 93,541**	$ 47,921	$ 78,318
Accrued employee compensation	**17,411**	6,284	5,916
Accrued rent	**13,423**	11,636	11,837
Accrued other taxes	**7,471**	5,055	4,577
Accrued income taxes	**6,134**	8,689	4,097
Other accrued liabilities	**20,049**	11,100	13,529
Current portion – long-term debt	**17,000**	-0-	-0-
Provision for discontinued operations	**4,121**	1,757	691
Total current liabilities	**179,150**	92,442	118,965
Long-term debt	**175,250**	86,250	86,250
Pension liability	**29,180**	25,617	34,907
Deferred income taxes	**4,210**	-0-	-0-
Other long-term liabilities	**9,076**	9,014	10,087
Provision for discontinued operations	**1,854**	1,266	833
Total liabilities	**398,720**	214,589	251,042
Commitments and contingent liabilities			
Shareholders' Equity			
Non-redeemable preferred stock	**7,493**	7,580	7,579
Common shareholders' equity:			
Common stock, $1 par value:			
Authorized: 80,000,000 shares			
Issued/Outstanding:			
October 30, 2004 – 22,586,946/22,098,482			
January 31, 2004 – 22,211,661/21,723,197			
November 1, 2003 – 22,215,640/21,727,176	**22,587**	22,212	22,216
Additional paid-in capital	**101,767**	96,612	96,826
Retained earnings	**154,663**	132,215	115,416
Accumulated other comprehensive loss	**(25,934)**	(25,164)	(29,596)
Treasury shares, at cost	**(17,857)**	(17,857)	(17,857)
Total shareholders' equity	**242,719**	215,598	194,584
Total Liabilities and Shareholders' Equity	**$641,439**	$430,187	$445,626

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Genesco Inc. and Subsidiaries

Consolidated Statements of Earnings
In Thousands, except per share amounts

	Three Months Ended		Nine Months Ended	
	October 30, 2004	**November 1, 2003**	**October 30, 2004**	**November 1, 2003**
Net sales	**$288,398**	$212,483	**$759,863**	$584,707
Cost of sales	**145,030**	113,355	**383,928**	313,998
Selling and administrative expenses	**119,251**	82,426	**330,596**	243,350
Restructuring and other, net	**667**	-0-	**627**	(139)
Earnings from operations	**23,450**	16,702	**44,712**	27,498
Loss on early retirement of debt	**-0-**	-0-	**-0-**	2,581
Interest expense, net				
Interest expense	**3,204**	1,590	**8,138**	6,162
Interest income	**(66)**	(80)	**(222)**	(471)
Total interest expense, net	**3,138**	1,510	**7,916**	5,691
Earnings before income taxes from continuing operations	**20,312**	15,192	**36,796**	19,226
Income tax expense	**7,783**	5,780	**13,668**	7,368
Earnings from continuing operations	**12,529**	9,412	**23,128**	11,858
Provision for discontinued operations, net	**(440)**	-0-	**(461)**	-0-
Net Earnings	**$ 12,089**	$ 9,412	**$ 22,667**	$ 11,858
Basic earnings per common share:				
Continuing operations	**$ .57**	$ .43	**$ 1.05**	$ .54
Discontinued operations	**$ (.02)**	$ .00	**$ (.03)**	$ .00
Net earnings	**$ .55**	$ .43	**$ 1.02**	$ .54
Diluted earnings per common share:				
Continuing operations	**$ .55**	$ .42	**$ 1.02**	$ .53
Discontinued operations	**$ (.01)**	$ .00	**$ (.02)**	$ .00
Net earnings	**$ .54**	$ .42	**$ 1.00**	$ .53

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Genesco Inc. and Subsidiaries

Consolidated Statements of Cash Flows
In Thousands

	Three Months Ended		Nine Months Ended	
	October 30, 2004	November 1, 2003	October 30, 2004	November 1, 2003
CASH FLOWS FROM OPERATING ACTIVITIES:				
Net earnings	**$ 12,089**	$ 9,412	**$ 22,667**	$ 11,858
Tax benefit of stock options exercised	**97**	29	**1,192**	45
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:				
Depreciation	**7,273**	5,550	**20,538**	16,189
Deferred income taxes	**266**	-0-	**(43)**	-0-
Provision for losses on accounts receivable	**(12)**	37	**76**	329
Impairment of long-lived assets	**260**	-0-	**535**	-0-
Restructuring gain	**-0-**	-0-	**-0-**	(139)
Loss on retirement of debt	**-0-**	-0-	**-0-**	959
Provision for discontinued operations	**705**	-0-	**739**	-0-
Other	**812**	387	**1,747**	1,059
Effect on cash of changes in working capital and other assets and liabilities net of acquisitions:				
Accounts receivable	**(2,441)**	(4,189)	**(5,890)**	291
Inventories	**(2,356)**	7,521	**(63,729)**	(37,297)
Other current assets	**(4,305)**	(184)	**(2,400)**	(2)
Accounts payable	**(2,572)**	(4,283)	**21,330**	36,162
Other accrued liabilities	**15,289**	3,898	**14,802**	(2,858)
Other assets and liabilities	**2,523**	(1,570)	**5,956**	(69)
Net cash provided by operating activities	**27,628**	16,608	**17,520**	26,527
CASH FLOWS FROM INVESTING ACTIVITIES:				
Capital expenditures	**(11,559)**	(6,773)	**(27,814)**	(15,972)
Acquisitions, net of cash acquired	**1,120**	-0-	**(167,663)**	-0-
Proceeds from sale of property and equipment	**9**	12	**11**	638
Net cash used in investing activities	**(10,430)**	(6,761)	**(195,466)**	(15,334)
CASH FLOWS FROM FINANCING ACTIVITIES:				
Payments of capital leases	**(135)**	-0-	**(321)**	-0-
Stock repurchases	**-0-**	(1,367)	**-0-**	(1,398)
Change in overdraft balances	**(8,355)**	2,528	**5,253**	(1,504)
Revolver borrowings, net	**(10,000)**	-0-	**6,000**	-0-
Dividends paid	**(73)**	(74)	**(219)**	(221)
Payments of long-term debt	**-0-**	-0-	**-0-**	(103,245)
Long-term borrowings	**-0-**	-0-	**100,000**	86,250
Deferred financing costs	**-0-**	-0-	**(3,360)**	(3,238)
Options exercised and shares issued in Employee Stock Purchase Plan	**1,100**	404	**4,065**	540
Other	**(9)**	-0-	**(9)**	-0-
Net cash provided by (used in) financing activities	**(17,472)**	1,491	**111,409**	(22,816)
Net Cash Flow	**(274)**	11,338	**(66,537)**	(11,623)
Cash and cash equivalents at beginning of period	**15,286**	32,968	**81,549**	55,929
Cash and cash equivalents at end of period	**$ 15,012**	$44,306	**$ 15,012**	$ 44,306
Supplemental Cash Flow Information:				
Net cash paid for:				
Interest	**$ 1,831**	$ 586	**$ 5,939**	$ 6,109
Income taxes	**1,236**	131	**15,890**	7,705

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Genesco Inc. and Subsidiaries

Consolidated Statements of Shareholders' Equity
In Thousands

	Total Non-Redeemable Preferred Stock	Common Stock	Additional Paid-In Capital	Treasury Shares	Retained Earnings	Accumulated Other Comprehensive Loss	Comprehensive Income	Total Share-holders' Equity
Balance February 1, 2003	**$7,599**	**$22,222**	**$ 97,488**	**$(17,857)**	**$103,779**	**$(30,452)**		**$182,779**
Net earnings	-0-	-0-	-0-	-0-	28,730	-0-	$28,730	28,730
Dividends paid	-0-	-0-	-0-	-0-	(294)	-0-	-0-	(294)
Exercise of options	-0-	45	624	-0-	-0-	-0-	-0-	669
Issue shares - - Employee Stock Purchase Plan	-0-	32	327	-0-	-0-	-0-	-0-	359
Tax benefit of stock options exercised	-0-	-0-	69	-0-	-0-	-0-	-0-	69
Stock repurchases	-0-	(117)	(1,784)	-0-	-0-	-0-	-0-	(1,901)
Gain on foreign currency forward contracts (net of tax of $0.6 million)	-0-	-0-	-0-	-0-	-0-	985	985	985
Minimum pension liability adjustment (net of tax of $2.8 million)	-0-	-0-	-0-	-0-	-0-	4,303	4,303	4,303
Other	(19)	30	(112)	-0-	-0-	-0-	-0-	(101)
Comprehensive income							34,018	
Balance January 31, 2004	**7,580**	**22,212**	**96,612**	**(17,857)**	**132,215**	**(25,164)**		**215,598**
Net earnings	-0-	-0-	-0-	-0-	22,667	-0-	22,667	22,667
Dividends paid	-0-	-0-	-0-	-0-	(219)	-0-	-0-	(219)
Exercise of options	-0-	354	3,711	-0-	-0-	-0-	-0-	4,065
Tax benefit of stock options exercised	-0-	-0-	1,192	-0-	-0-	-0-	-0-	1,192
Loss on foreign currency forward contracts (net of tax benefit of $0.4 million)	-0-	-0-	-0-	-0-	-0-	(673)	(673)	(673)
Loss on interest rate swaps (net of tax benefit of $0.1 million)	-0-	-0-	-0-	-0-	-0-	(233)	(233)	(233)
Foreign currency translation adjustment	-0-	-0-	-0-	-0-	-0-	136	136	136
Other	(87)	21	252	-0-	-0-	-0-	-0-	186
Comprehensive income*							$21,897	
Balance October 30, 2004	**$7,493**	**$22,587**	**$101,767**	**$(17,857)**	**$154,663**	**$(25,934)**		**$242,719**

*Comprehensive income was $11.8 million and $9.7 million for the third quarter ended October 30, 2004 and November 1, 2003, respectively. Comprehensive income was $12.7 million for the nine month period ended November 1, 2003.

The accompanying Notes are an integral part of these Consolidated Financial Statements.

Genesco Inc. and Subsidiaries

Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies

Interim Statements

The consolidated financial statements contained in this report are unaudited but reflect all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the results for the interim periods of the fiscal year ending January 29, 2005 (“Fiscal 2005”) and of the fiscal year ended January 31, 2004 (“Fiscal 2004”). The results of operations for any interim period are not necessarily indicative of results for the full year. The interim financial statements should be read in conjunction with the financial statements and notes thereto included in the annual report on Form 10-K.

Nature of Operations

The Company’s businesses include the design or sourcing, marketing and distribution of footwear principally under the *Johnston & Murphy* and *Dockers* brands and the operation at October 30, 2004 of 1,603 *Jarman, Journeys, Journeys Kidz, Johnston & Murphy, Underground Station, Hat World, Lids, Hat Zone, Cap Connection and Headquarters* retail footwear and headwear stores and leased departments.

Principles of Consolidation

All subsidiaries are included in the consolidated financial statements. All significant intercompany transactions and accounts have been eliminated.

Financial Statement Reclassifications

Certain reclassifications have been made to conform prior years’ data to the current year presentation.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Significant areas requiring management estimates or judgments include the following key financial areas:

Inventory Valuation

The Company values its inventories at the lower of cost or market.

In its wholesale operations, cost is determined using the first-in, first-out (FIFO) method. Market is determined using a system of analysis which evaluates inventory at the stock number level based on factors such as inventory turn, average selling price, inventory level, and selling prices reflected in future orders. The Company provides reserves when the inventory has not been marked down to market based on current selling prices or when the inventory is not turning and is not expected to turn at levels satisfactory to the Company.

Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

In its retail operations, other than the Hat World/Lids segment, the Company employs the retail inventory method, applying average cost-to-retail ratios to the retail value of inventories. Under the retail inventory method, valuing inventory at the lower of cost or market is achieved as markdowns are taken or accrued as a reduction of the retail value of inventories.

Inherent in the retail inventory method are subjective judgments and estimates including merchandise mark-on, markups, markdowns, and shrinkage. These judgments and estimates, coupled with the fact that the retail inventory method is an averaging process, could produce a range of cost figures. To reduce the risk of inaccuracy and to ensure consistent presentation, the Company employs the retail inventory method in multiple subclasses of inventory with similar gross margin, and analyzes markdown requirements at the stock number level based on factors such as inventory turn, average selling price, and inventory age. In addition, the Company accrues markdowns as necessary. These additional markdown accruals reflect all of the above factors as well as current agreements to return products to vendors and vendor agreements to provide markdown support. In addition to markdown provisions, the Company maintains provisions for shrinkage and damaged goods based on historical rates.

The Hat World/Lids segment employs the moving average cost method for valuing inventories and applies freight using an allocation method. The Company provides a valuation allowance for slow-moving inventory based on negative margins and estimated shrink based on historical experience and specific analysis, where appropriate.

Inherent in the analysis of both wholesale and retail inventory valuation are subjective judgments about current market conditions, fashion trends, and overall economic conditions. Failure to make appropriate conclusions regarding these factors may result in an overstatement or understatement of inventory value.

Impairment of Definite-Lived Long-Lived Assets

The Company periodically assesses the realizability of its definite-lived long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Asset impairment is determined to exist if estimated future cash flows, undiscounted and without interest charges, are less than the carrying amount. Inherent in the analysis of impairment are subjective judgments about future cash flows. Failure to make appropriate conclusions regarding these judgments may result in an overstatement of the value of definite-lived long-lived assets.

Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Environmental and Other Contingencies

The Company is subject to certain loss contingencies related to environmental proceedings and other legal matters, including those disclosed in Note 9 to the Company's Consolidated Financial Statements. The Company monitors these matters on an ongoing basis and, on a quarterly basis, management reviews the Company's reserves and accruals in relation to each of them, adjusting provisions as management deems necessary in view of changes in available information. Changes in estimates of liability are reported in the periods when they occur. Consequently, management believes that its reserve in relation to each proceeding is a reasonable estimate of the probable loss connected to the proceeding, or in cases in which no reasonable estimate is possible, the minimum amount in the range of estimated losses, based upon its analysis of the facts and circumstance as of the close of the most recent fiscal quarter. However, because of uncertainties and risks inherent in litigation generally and in environmental proceedings in particular, there can be no assurance that future developments will not require additional reserves to be set aside, that some or all reserves will be adequate or that the amounts of any such additional reserves or any such inadequacy will not have a material adverse effect upon the Company's financial condition or results of operations.

Revenue Recognition

Retail sales are recorded at the point of sale and are net of estimated returns. Catalog and internet sales are recorded at time of delivery to the customer and are net of estimated returns. Wholesale revenue is recorded net of estimated returns and allowances for markdowns, damages and miscellaneous claims when the related goods have been shipped and legal title has passed to the customer. Shipping and handling costs charged to customers are included in net sales. Actual amounts of markdowns have not differed materially from estimates. Actual returns and claims in any future period may differ from historical experience.

Pension Plan Accounting

The Company accounts for the defined benefit pension plans using Statement of Financial Accounting Standards (SFAS) No. 87, "Employer's Accounting for Pensions." Under SFAS No. 87, pension expense is recognized on an accrual basis over employees' approximate service periods. The calculation of pension expense and the corresponding liability requires the use of a number of critical assumptions, including the expected long-term rate of return on plan assets and the assumed discount rate, as well as the recognition of actuarial gains and losses. Changes in these assumptions can result in different expense and liability amounts, and future actual experience can differ from these assumptions.

Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Cash and Cash Equivalents

Included in cash and cash equivalents at October 30, 2004 and January 31, 2004, are cash equivalents of $0.7 million and $71.1 million, respectively. Cash equivalents are highly-liquid debt instruments having an original maturity of three months or less. The majority of payments due from banks for customer credit card transactions process within 24 - 48 hours and are accordingly classified as cash and cash equivalents.

At October 30, 2004 and January 31, 2004, outstanding checks drawn on zero-balance accounts at certain domestic banks exceeded book cash balances at those banks by approximately $17.4 million and $12.0 million, respectively. These amounts are included in trade accounts payable.

Concentration of Credit Risk and Allowances on Accounts Receivable

The Company’s footwear wholesaling business sells primarily to independent retailers and department stores across the United States. Receivables arising from these sales are not collateralized. Credit risk is affected by conditions or occurrences within the economy and the retail industry. Two customers each accounted for 12% and another customer accounted for 11% of the Company’s trade receivables balance as of October 30, 2004 and no other customer accounted for more than 8% of the Company’s trade receivables balance as of October 30, 2004.

The Company establishes an allowance for doubtful accounts based upon factors surrounding the credit risk of specific customers, historical trends and other information as well as company specific factors. The Company also establishes allowances for sales returns, customer deductions and co-op advertising based on specific circumstances, historical trends and projected probable outcomes.

Property and Equipment

Property and equipment are recorded at cost and depreciated or amortized over the estimated useful life of related assets. Depreciation and amortization expense are computed principally by the straight-line method over the following estimated useful lives:

Buildings and building equipment	20-45 years
Machinery	3-10 years
Furniture and fixtures	10 years

Leasehold improvements and properties under capital leases are amortized on the straight-line method over the shorter of their useful lives or their related lease terms.

Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Goodwill and Other Intangibles

Under the provisions of SFAS No. 142, “Goodwill and Other Intangible Assets,” goodwill and intangible assets with indefinite lives are no longer amortized, but tested at least annually for impairment. This Statement also requires that intangible assets with finite lives be amortized over their respective lives to their estimated residual values, and reviewed for impairment in accordance with SFAS No. 144, “Accounting for the Impairment or Disposal of Long-Lived Assets.”

Identifiable intangible assets of the Company are primarily goodwill and indefinite-lived trademarks acquired in connection with the acquisition of Hat World Corporation on April 1, 2004. Identifiable intangible assets with finite lives are amortized and those with indefinite lives are not amortized. The estimated useful life of an identifiable intangible asset to the Company is based upon a number of factors including the effects of demand, competition and the level of maintenance expenditures required to obtain future cash flows.

The Company tests for impairment of identifiable intangible assets with an indefinite life, at a minimum on an annual basis, relying on a number of factors including operating results, business plans and projected future cash flows. The impairment test for identifiable assets not subject to amortization consists of a comparison of the fair value of the intangible asset with its carrying amount.

Identifiable intangible assets of the Company with finite lives are primarily leases and customer lists. They are subject to amortization and are evaluated for impairment using a process similar to that used to evaluate other definite-lived long-lived assets. An impairment loss is recognized for the amount by which the carrying value exceeds the fair value of the asset.

Postretirement Benefits

Substantially all full-time employees, except employees in the Hat World/Lids segment, are covered by a defined benefit pension plan. The Company also provides certain former employees with limited medical and life insurance benefits. The Company funds at least the minimum amount required by the Employee Retirement Income Security Act.

Cost of Sales

For the Company’s retail operations, the cost of sales includes actual product cost, the cost of transportation to the Company’s warehouses from suppliers and the cost of transportation from the Company’s warehouses to the stores. Additionally, the cost of its distribution facilities allocated to its retail operations is included in cost of sales.

For the Company’s wholesale operations, the cost of sales includes the actual product cost and the cost of transportation to the Company’s warehouses from suppliers.

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Note 1
Summary of Significant Accounting Policies, Continued

Selling and Administrative Expenses

Selling and administrative expenses include all operating costs of the Company excluding (i) those related to the transportation of products from the supplier to the warehouse, (ii) for its retail operations, those related to the transportation of products from the warehouse to the store and (iii) costs of its distribution facilities which are allocated to its retail operations. Wholesale and unallocated retail costs of distribution are included in selling and administrative expenses in the amounts of $1.8 million, $1.9 million, $4.2 million and $6.2 million for the third quarter and first nine months of Fiscal 2005 and 2004, respectively.

Buying, Merchandising and Occupancy Costs

The Company records buying and merchandising and occupancy costs in selling and administrative expense. Because the Company does not include these costs in cost of sales, the Company's gross margin may not be comparable to other retailers that include these costs in the calculation of gross margin.

Shipping and Handling Costs

Shipping and handling costs related to inventory purchased from suppliers is included in the cost of inventory and is charged to cost of sales in the period that the inventory is sold. Shipping and handling costs are charged to cost of sales in the period incurred except for wholesale and unallocated retail costs of distribution, which are included in selling and administrative expenses.

Preopening Costs

Costs associated with the opening of new stores are expensed as incurred, and are included in selling and administrative expenses on the accompanying Statements of Earnings.

Store Closings and Exit Costs

From time to time, the Company makes strategic decisions to close stores or exit locations, or activities. If stores or operating activities to be closed or exited constitute components, as defined by SFAS No. 144 (adopted in Fiscal 2002), and will not result in a migration of customers and cash flows, these closures will be considered discontinued operations when the related assets meet the criteria to be classified as held for sale, or at the cease-use date, whichever occurs first. The results of operations of discontinued operations are presented retroactively, net of tax, as a separate component on the Statement of Earnings, if material individually or cumulatively.

Assets related to planned store closures or other exit activities are reflected as assets held for sale and recorded at the lower of carrying value or fair value less costs to sell when the required criteria, as defined by SFAS No. 144, are satisfied. Depreciation ceases on the date that the held for sale criteria are met.

Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Assets related to planned store closures or other exit activities that do not meet the criteria to be classified as held for sale are evaluated for impairment in accordance with the Company's normal impairment policy, but with consideration given to revised estimates to future cash flows. In any event, the remaining depreciable useful lives are evaluated and adjusted as necessary.

Exit costs related to anticipated lease termination costs, severance benefits and other expected charges are accrued for and recognized in accordance with SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities" (adopted in Fiscal 2003).

Advertising Costs

Advertising costs are predominantly expensed as incurred. Advertising costs were $6.1 million, $5.4 million, $18.0 million and $15.1 million for the third quarter and first nine months of Fiscal 2005 and 2004, respectively. Direct response advertising costs for catalogs are capitalized, in accordance with the American Institute of Certified Public Accountants (AICPA) Statement of Position No. 93-7, "Reporting on Advertising Costs." Such costs are amortized over the estimated future revenues realized from such advertising, not to exceed six months. The consolidated balance sheets included prepaid assets for direct response advertising costs of $0.6 million and $0.3 million at October 30, 2004 and November 1, 2003, respectively.

Consideration to Resellers

The Company does not have any written buy-down programs with retailers, but the Company has provided certain retailers with markdown allowances for obsolete and slow moving products that are in the retailer's inventory. The Company estimates these allowances and provides for them as reductions to revenues at the time revenues are recorded. Markdowns are negotiated with retailers and changes are made to the estimates as agreements are reached. Actual amounts for markdowns have not differed materially from estimates.

Cooperative Advertising

Cooperative advertising funds are made available to all of the Company's retail customers. In order for retailers to receive reimbursement under such programs, the retailer must meet specified advertising guidelines and provide appropriate documentation of expenses to be reimbursed. The Company's cooperative advertising agreements require that retail customers present documentation or other evidence of specific advertisements or display materials used for the Company's products by submitting the actual print advertisements presented in catalogs, newspaper inserts or other advertising circulars, or by permitting physical inspection of displays. Additionally, the Company's cooperative advertising agreements require that the amount of reimbursement requested for such advertising or materials be supported by invoices or other evidence of the actual costs incurred by the retailer. The Company accounts for these cooperative advertising costs as selling and administrative expenses, in accordance with Emerging Issues Task Force (EITF) Issue No. 01-9, "Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)."

Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Cooperative advertising costs recognized in selling and administrative expenses were $0.7 million, $0.7 million, $1.8 million and $2.1 million for the third quarter and first nine months of Fiscal 2005 and 2004, respectively. During the first nine months of Fiscal 2005 and 2004, the Company's cooperative advertising reimbursements paid did not exceed the fair value of the benefits received under those agreements.

Vendor Allowances

From time to time the Company negotiates allowances from its vendors for markdowns taken or expected to be taken. These markdowns are typically negotiated on specific merchandise and for specific amounts. These specific allowances are recognized as a reduction in cost of sales in the period in which the markdowns are taken. Markdown allowances not attached to specific inventory on hand or already sold are applied to concurrent or future purchases from each respective vendor.

The Company receives support from some of its vendors in the form of reimbursements for cooperative advertising and catalog costs for the launch and promotion of certain products. The reimbursements are agreed upon with vendors and represent specific, incremental, identifiable costs incurred by the Company in selling the vendor's products. Such costs and the related reimbursements are accumulated and monitored on an individual vendor basis, pursuant to the respective cooperative advertising agreements with vendors. Such cooperative advertising reimbursements are recorded as a reduction of selling and administrative expenses in the same period in which the associated expense is incurred. If the amount of cash consideration received exceeds the costs being reimbursed, such excess amount would be recorded as a reduction of cost of sales.

Vendor reimbursements of cooperative advertising costs recognized as a reduction of selling and administrative expenses were $0.5 million, $0.7 million, $1.8 million and $1.6 million for the third quarter and first nine months of Fiscal 2005 and 2004, respectively. During the first nine months of Fiscal 2005 and 2004, the Company's cooperative advertising reimbursements received were not in excess of the costs reimbursed.

Environmental Costs

Environmental expenditures relating to current operations are expensed or capitalized as appropriate. Expenditures relating to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable and the costs can be reasonably estimated and are evaluated independently of any future claims for recovery. Generally, the timing of these accruals coincides with completion of a feasibility study or the Company's commitment to a formal plan of action. Costs of future expenditures for environmental remediation obligations are not discounted to their present value.

Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

Income Taxes

Deferred income taxes are provided for all temporary differences and operating loss and tax credit carryforwards limited, in the case of deferred tax assets, to the amount the Company believes is more likely than not to be realized in the foreseeable future.

Earnings Per Common Share

Basic earnings per share excludes dilution and is computed by dividing income available to common shareholders by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution that could occur if securities to issue common stock were exercised or converted to common stock (see Note 8).

Other Comprehensive Income

SFAS No. 130, "Reporting Comprehensive Income," requires, among other things, the Company's minimum pension liability adjustment, unrealized gains or losses on foreign currency forward contracts, unrealized gains and losses on interest rate swaps and foreign currency translation adjustments to be included in other comprehensive income net of tax. Accumulated other comprehensive loss at October 30, 2004 consists of $26.5 million of cumulative minimum pension liability adjustments, net of tax, cumulative net gains of $0.7 million on foreign currency forward contracts, net of tax, cumulative net losses of $0.2 million on interest rate swaps, net of tax and a $0.1 million foreign currency translation adjustment.

Business Segments

SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," requires that companies disclose "operating segments" based on the way management disaggregates the Company for making internal operating decisions (see Note 10).

Derivative Instruments and Hedging Activities

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of SFAS No. 133," SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities" and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities," (collectively "SFAS 133") require an entity to recognize all derivatives as either assets or liabilities in the consolidated balance sheet and to measure those instruments at fair value. Under certain conditions, a derivative may be specifically designated as a fair value hedge or a cash flow hedge. The accounting for changes in the fair value of a derivative are recorded each period in current earnings or in other comprehensive income depending on the intended use of the derivative and the resulting designation.

Stock Incentive Plans

The Company implemented SFAS No. 148, "Accounting for Stock-Based Compensation – Transition and Disclosure," in the fourth quarter of Fiscal 2003. This statement amends the disclosure provisions of SFAS No. 123, "Accounting for Stock Based Compensation," to require prominent disclosure about the effect on reported net income of an entity's accounting policy decisions with respect to stock-based employee compensation and amends Accounting Principles Board (APB) Opinion No. 28, "Interim Financial Reporting," to require disclosure about those effects in interim financial information.

Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 1
Summary of Significant Accounting Policies, Continued

As of October 30, 2004, the Company had two fixed stock incentive plans and one restricted stock incentive plan. The Company accounts for these plans under the recognition and measurement principles of APB Opinion No. 25, “Accounting for Stock Issued to Employees,” and related Interpretations. Accordingly, no compensation cost has been recognized other than for its restricted stock incentive plan. The compensation cost that has been charged against income for its restricted stock incentive plans was $0.1 million, $0.1 million, $0.3 million and $0.4 million, net of tax, for the third quarter and first nine months of Fiscal 2005 and 2004, respectively. There was no additional stock incentive plan compensation reflected in net earnings, as all options granted under the fixed stock incentive plans had an exercise price equal to the market value of the underlying common stock on the date of grant. Had compensation cost for all of the Company’s stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the methodology prescribed by SFAS No. 123 “Accounting for Stock-Based Compensation” (as amended by SFAS No. 148), the Company’s net earnings and earnings per share would have been reduced to the pro forma amounts indicated below:

	Three Months Ended		Nine Months Ended	
(In thousands, except per share amounts)	**October 30, 2004**	**November 1, 2003**	**October 30, 2004**	**November 1, 2003**
Net earnings, as reported	**$12,089**	$9,412	**$22,667**	$11,858
Add: stock-based employee compensation expense included in reported net earnings, net of related tax effects	**99**	143	**318**	401
Deduct: total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	**(760)**	(682)	**(2,012)**	(1,737)
Pro forma net earnings	**$11,428**	$8,873	**$20,973**	$10,522
Earnings per share:				
Basic - as reported	**$ .55**	$ .43	**$ 1.02**	$ .54
Basic - pro forma	**$ .52**	$ .40	**$ .95**	$ .47
Diluted - as reported	**$ .54**	$ .42	**$ 1.00**	$ .53
Diluted - pro forma	**$ .51**	$ .40	**$ .93**	$ .47

New Accounting Principles

In November 2004, the Emerging Issues Task Force (EITF) issued Consensus No. 04-8, “The Effect of Contingently Convertible Debt on Diluted Earnings per Share.” The Consensus addresses when to include contingently convertible debt instruments in diluted earnings per share. The Consensus requires companies to include the convertible debt in diluted earnings per share regardless of whether the market price trigger has been met. The Company’s diluted earnings per share calculation for Fiscal 2005 will include an additional 3.9 million shares and a net after tax interest add back of $2.5 million. The Consensus is effective for periods ending after December 15, 2004 and requires restatement of prior period diluted earnings per share.

Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 2
Restructuring and Other Charges and Discontinued Operations

Fiscal 2005 Other Charges

The Company recorded a pretax charge to earnings of $0.7 million in the third quarter of Fiscal 2005. The charge was primarily for lease terminations of four Jarman stores and retail store asset impairments. These lease terminations were part of a plan announced by the Company in the fourth quarter of Fiscal 2004 to close 48 stores in Fiscal 2005.

The Company recorded a pretax credit to earnings of $0.2 million in the second quarter of Fiscal 2005. The credit was primarily for the recognition of a gain on the curtailment of the Company's defined benefit pension plan, offset by charges for retail store asset impairments and lease terminations of four Jarman stores.

The Company recorded a pretax charge to earnings of $0.1 million in the first quarter of Fiscal 2005. The charge was primarily for lease terminations of six Jarman stores.

Impairment and Other Charges

The Company recorded a pretax charge to earnings of $1.0 million ($0.6 million net of tax) in the fourth quarter of Fiscal 2004. The charge includes $2.8 million in asset impairments related to 59 underperforming retail stores identified as suitable for closing if acceptable lease terminations can be negotiated, most of which are Jarman stores. The charge is net of recognition of $1.8 million of excess restructuring provisions relating to facility shutdown costs originally accrued in Fiscal 2002. In accordance with SFAS No. 146, the Company revised its estimated liability and reduced the lease obligation during the period that the early lease termination was legally obtained.

In accordance with Company policy, the Company evaluated assets at these identified stores for impairment when a strategic decision was made during the fourth quarter of Fiscal 2004 to pursue the closure of these stores. Assets were determined to be impaired when the revised estimated future cash flows were insufficient to recover the carrying costs. Impairment charges represent the excess of the carrying value over the fair value of those assets.

Asset impairment charges are reflected as a reduction of the net carrying value of property and equipment, and in restructuring and other charges in the accompanying Statements of Earnings.

Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 2
Restructuring and Other Charges and Discontinued Operations, Continued

Restructuring Reserves

In thousands	Employee Related Costs	Facility Shutdown Costs	Total
Balance February 1, 2003	$ 423	$ 2,928	$ 3,351
Excess provision August 2, 2003	(132)	(7)	(139)
Excess provision January 31, 2004	(22)	(1,779)	(1,801)
Charges and adjustments, net	(215)	(689)	(904)
Balance January 31, 2004 (included in other accrued liabilities)	54	453	507
Charges and adjustments, net	(54)	(453)	(507)
Balance October 30, 2004	**$ -0-**	**$ -0-**	**$ -0-**

Discontinued Operations

Accrued Provision for Discontinued Operations

In thousands	Employee Related Costs	Facility Shutdown Costs	Other	Total
Balance February 1, 2003	$ 1,433	$1,132	$ 30	$ 2,595
Additional provision January 31, 2004	10	1,441	(18)	1,433
Charges and adjustments, net	(1,443)	448	(10)	(1,005)
Balance January 31, 2004	-0-	3,021	2	3,023
Additional provisions Fiscal 2005	-0-	739	-0-	739
Charges and adjustments, net	-0-	2,212	1	2,213
Balance October 30, 2004*	-0-	5,972	3	5,975
Current provision for discontinued operations	**-0-**	**4,118**	**3**	**4,121**
Total Noncurrent Provision for Discontinued Operations	**$ -0-**	**$1,854**	**$ -0-**	**$ 1,854**

*Includes $5.6 million environmental provision including $3.8 million in current provision for discontinued operations.

Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 3
Inventories

In thousands	October 30, 2004	January 31, 2004
Raw materials	**$ 174**	$ 142
Wholesale finished goods	**30,101**	28,900
Retail merchandise	**235,458**	138,192
Total Inventories	**$265,733**	$167,234

Note 4
Derivative Instruments and Hedging Activities

In order to reduce exposure to foreign currency exchange rate fluctuations in connection with inventory purchase commitments for its Johnston & Murphy division, the Company enters into foreign currency forward exchange contracts for Euro to make Euro denominated payments with a maximum hedging period of twelve months. Derivative instruments used as hedges must be effective at reducing the risk associated with the exposure being hedged. The settlement terms of the forward contracts correspond with the payment terms for the merchandise inventories. As a result, there is no hedge ineffectiveness to be reflected in earnings. At October 30, 2004 and January 31, 2004, the Company had approximately $8.6 million and $6.6 million, respectively, of such contracts outstanding. Forward exchange contracts have an average remaining term of approximately two and one-half months. The gain based on spot rates under these contracts at October 30, 2004 and January 31, 2004 was $0.5 million and $0.8 million, respectively. For the nine months ended October 30, 2004, the Company recorded an unrealized loss on foreign currency forward contracts of $1.1 million in accumulated other comprehensive loss, before taxes. The Company monitors the credit quality of the major national and regional financial institutions with which it enters into such contracts.

The Company estimates that the majority of net hedging losses related to forward exchange contracts will be reclassified from accumulated other comprehensive loss into earnings through higher cost of sales over the succeeding year.

Note 4
Derivative Instruments and Hedging Activities, Continued

The Company uses interest rate swaps as a cash flow hedge to manage interest costs and the risk associated with changing interest rates of long-term debt. During the first quarter ended May 1, 2004, the Company entered into three separate forward-starting interest rate swap agreements as a means of managing its interest rate exposure on its new $100.0 million variable rate term loan. All three agreements were effective beginning on October 1, 2004 and are designed to swap a variable rate of three-month LIBOR (2.17% at October 30, 2004) for a fixed rate ranging from 2.52% to 3.32%. The aggregate notional amount of the swaps is $65.0 million. Of the three agreements, the swap agreement with a $15.0 million notional amount expires on October 1, 2005, the swap agreement with a $20.0 million notional amount expires on July 1, 2006 and the swap agreement with a $30.0 million notional amount expires on April 1, 2007. These agreements have the effect of converting certain of the Company's variable rate obligations to fixed rate obligations.

In order to ensure continued hedge effectiveness, the Company intends to elect the three-month LIBOR option for its variable rate interest payments on its term loan as of each interest payment date. Since the interest payment dates coincide with the swap reset dates, the hedges are expected to be perfectly effective. However, because the swaps do not qualify for the short-cut method, the Company will evaluate quarterly the continued effectiveness of the hedge and will reflect any ineffectiveness in the results of operations. As long as the hedge continues to be perfectly effective, net amounts paid or received will be reflected as an adjustment to interest expense and the changes in the fair value of the derivative will be reflected in other comprehensive income.

At October 30, 2004, the net loss of these interest rate swap agreements was $0.2 million, net of tax, representing the change in fair value of the derivative instruments.

Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 5
Long-Term Debt

In thousands	October 30, 2004	January 31, 2004
4 1/8% convertible subordinated debentures due June 2023	**$ 86,250**	$86,250
Term loan, matures April 1, 2009	**100,000**	-0-
Revolver borrowings	**6,000**	-0-
Total long-term debt	**192,250**	86,250
Current portion, term loan	**17,000**	-0-
Total Noncurrent Portion of Long-Term Debt	**$175,250**	$86,250

Long-term debt maturing during each of the next five years ending October is as follows: 2005 – $17,000,000, 2006 — $18,000,000; 2007 — $22,000,000; 2008 - $28,000,000; 2009 — $21,000,000; and thereafter — $86,250,000.

Credit Agreement:

On April 1, 2004, the Company entered into new credit facilities totaling $175.0 million with a group of 10 banks, led by Bank of America, N.A. as Administrative Agent. The agreement governing the facilities expires April 1, 2009. The facilities consist of a $100.0 million term loan (used to fund a portion of the purchase price for the Hat World acquisition) and a $75.0 million revolving credit facility (which replaced the previous $75.0 million revolving credit facility). The revolving credit facility is available for working capital and general corporate purposes, and also provides for the issuance of commercial and standby letters of credit. The Company borrowed the $100.0 million term loan on April 1, 2004. The Company had $6.0 million of borrowings outstanding under the revolving credit agreement at October 30, 2004. The Company had outstanding letters of credit of $10.2 million under the agreement at October 30, 2004. These letters of credit support product purchases and lease and insurance indemnifications.

Under both the term loan and revolving credit facilities, interest rates and facility fees are determined according to a pricing grid providing margins over LIBOR or an alternate base rate (the higher of the Federal Funds Rate plus 1/2% or the prime rate). The applicable fees and margins are determined by the Company’s leverage (adjusted debt to earnings before interest, taxes, depreciation, amortization and rent (“EBITDAR”)) ratio.

Deferred financing costs incurred of $3.4 million related to the $175.0 million credit facilities were capitalized and are being amortized over the expected lives of the agreements. These costs are included in other non-current assets on the Balance Sheet.

These credit facilities are guaranteed by each subsidiary of the Company whose assets exceed 5% of the consolidated assets of the Company and its subsidiaries or whose revenue or net income exceeds 10% of the consolidated net income of the Company and its subsidiaries. These credit facilities are secured by substantially all of the material assets of the Company and the guarantors.

Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 5
Long-Term Debt, Continued

The credit agreement requires the Company to maintain a consolidated tangible net worth in excess of a specified amount that is adjusted in accordance with the Company's consolidated net income. The credit agreement also requires the Company to meet specified ratio requirements with respect to leverage (debt to EBITDAR) and fixed charge coverage, and restricts the making of capital expenditures. The credit agreement also contains negative covenants restricting, among other things, indebtedness, liens, investments (including acquisitions), fundamental changes and restricted payments (including repurchasing the Company's common stock or declaring cash dividends in respect thereof). The Company was in compliance with the financial covenants contained in the credit agreement at October 30, 2004.

4 1/8% Convertible Subordinated Debentures due 2023:

On June 24, 2003 and June 26, 2003, the Company issued a total of $86.3 million of 4 1/8% Convertible Subordinated Debentures due June 15, 2023. The Debentures are convertible at the option of the holders into shares of the Company's common stock, par value $1.00 per share, if: (1) the price of its common stock issuable upon conversion of a Debenture reaches 120% or more of the initial conversion price ($26.54 or more) for 10 of the last 30 trading days of the immediately preceding fiscal quarter, (2) specified corporate transactions occur or (3) the trading price for the Debentures falls below certain thresholds. Upon conversion, the Company will have the right to deliver, in lieu of its common stock, cash or a combination of cash and shares of its common stock. Subject to the above conditions, each $1,000 principal amount of Debentures is convertible into 45.2080 shares (equivalent to an initial conversion price of $22.12 per share of common stock) subject to adjustment.

The Company will pay cash interest on the debentures at an annual rate of 4.125% of the principal amount at issuance, payable on June 15 and December 15 of each year, commencing on December 15, 2003. The Company will pay contingent interest (in the amounts set forth in the Debentures) to holders of the Debentures during any six-month period from and including an interest payment date to, but excluding, the next interest payment date, commencing with the six-month period ending December 15, 2008, if the average trading price of the Debentures for the five consecutive trading day measurement period immediately preceding the applicable six-month period equals 120% or more of the principal amount of the Debentures.

The Company may redeem some or all of the Debentures for cash at any time on or after June 20, 2008 at 100% of their principal amount, plus accrued and unpaid interest, contingent interest and liquidated damages, if any.

Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 5
Long-Term Debt, Continued

Each holder of the Debentures may require the Company to purchase all or a portion of the holder's Debentures on June 15, 2010, 2013 or 2028, at a price equal to the principal amount of the Debentures to be purchased, plus accrued and unpaid interest, contingent interest and liquidated damages, if any, to the purchase date. Each holder may also require the Company to repurchase all or a portion of such holder's Debentures upon the occurrence of a change of control (as defined in the Debentures). The Company may choose to pay the change of control purchase price in cash or shares of its common stock or a combination of cash and shares.

In January 2004, the shelf registration statement filed by the Company for the resale by investors of the Debentures and their common stock issuable upon conversion of the Debentures was declared effective by the Securities and Exchange Commission.

The issuance and sale of the Debentures and the subsequent offering of the Debentures by the initial purchasers were exempt from the registration provisions of the Securities Act of 1933 pursuant to Section 4(2) of such Act and Rule 144A promulgated thereunder. Banc of America Securities LLC, Banc One Capital Markets, Inc., J.P. Morgan Securities Inc. and Wells Fargo Securities, LLC were the initial purchasers of the Debentures.

Deferred financing costs of $2.9 million relating to the issuance were capitalized and are being amortized over seven years and are included in other non-current assets on the Balance Sheet.

The indenture pursuant to which the Debentures were issued does not restrict the incurrence of Senior Debt by the Company or other indebtedness or liabilities by the Company or any of its subsidiaries.

Note 6
Income Taxes

The Company recorded an effective income tax rate of 38.3% and 38.0% for the three months ended October 30, 2004 and November 1, 2003, respectively, and 37.1% and 38.3% for the nine months ended October 30, 2004 and November 1, 2003, respectively. Income taxes for the nine months this year included a favorable tax settlement of $0.5 million. Without the settlement, the rate would have been 38.5% for the nine month period of Fiscal 2005.

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Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 7
Defined Benefit Pension Plans and Other Benefit Plans

Components of Net Periodic Benefit Cost

	Pension Benefits			
	Three Months Ended		Nine Months Ended	
In thousands	October 30, 2004	November 1, 2003	October 30, 2004	November 1, 2003
Service Cost	**$ 520**	$ 500	**$ 1,644**	$ 1,428
Interest cost	**1,734**	1,778	**5,136**	5,082
Expected return on plan assets	**(1,862)**	(1,935)	**(5,631)**	(5,529)
Amortization:				
Prior service cost	**-0-**	(35)	**(70)**	(100)
Losses	**973**	760	**3,043**	2,172
Net amortization	**973**	725	**2,973**	2,072
Curtailment gain	**-0-**	-0-	**(605)**	-0-
Net Periodic Benefit Cost	**$ 1,365**	$ 1,068	**$ 3,517**	$ 3,053

	Other Benefits			
	Three Months Ended		Nine Months Ended	
In thousands	October 30, 2004	November 1, 2003	October 30, 2004	November 1, 2003
Service Cost	**$ 44**	$ 24	**$132**	$ 72
Interest cost	**24**	38	**72**	114
Expected return on plan assets	**-0-**	-0-	**-0-**	-0-
Amortization:				
Prior service cost	**-0-**	-0-	**-0-**	-0-
Losses	**20**	17	**60**	51
Net amortization	**20**	17	**60**	51
Net Periodic Benefit Cost	**$ 88**	$ 79	**$264**	$237

Curtailment

The Company’s board of directors approved freezing the Company’s defined pension benefit plan in the second quarter ended July 31, 2004, effective January 1, 2005. The action resulted in a curtailment gain of $0.6 million in the second quarter this year which is reflected in the restructuring and other, net line on the accompanying Statement of Earnings.

Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 7
Defined Benefit Pension Plans and Other Benefit Plans, Continued

Estimated Future Benefit Payments

As a result of freezing the Company's defined benefit pension plan, expected benefit payments have been revised.

Expected benefit payments from the trust, including future service and pay, are as follows:

Estimated future payments	Pension Benefits ($ in millions)
2004	$ 9.9
2005	9.6
2006	9.7
2007	9.4
2008	9.3
2009 – 2013	43.9

Genesco Inc. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 8
Earnings Per Share

	For the Three Months Ended October 30, 2004			For the Three Months Ended November 1, 2003		
(In thousands, except per share amounts)	**Income (Numerator)**	**Shares (Denominator)**	**Per-Share Amount**	**Income (Numerator)**	**Shares (Denominator)**	**Per-Share Amount**
Earnings from continuing operations	$12,529			$9,412		
Less: Preferred stock dividends	(73)			(74)		
Basic EPS						
Income available to common shareholders	12,456	22,041	$.57	9,338	21,751	$.43
Effect of Dilutive Securities						
Options		348			266	
Convertible preferred stock(1)	21	37		-0-	-0-	
4 1/8% Convertible Subordinated Debentures(2)	-0-	-0-		-0-	-0-	
Employees' preferred stock(3)		63			64	
Diluted EPS						
Income available to common shareholders plus assumed conversions	$12,477	22,489	$.55	$9,338	22,081	$.42

(1) The amount of the dividend on the convertible preferred stock per common share obtainable on conversion of the convertible preferred stock is higher than basic earnings per share for Series 1 and 4 for all periods presented. Therefore, conversion of Series 1 and 4 convertible preferred stock is not reflected in diluted earnings per share, because it would have been antidilutive. The shares convertible to common stock for Series 1 and 4 preferred stock would have been 30,644 and 24,946, respectively. Shares convertible to common stock for Series 3 preferred stock are included for Fiscal 2005 because the amount of the dividend on the preferred stock per common share obtainable on conversion of the convertible preferred stock is lower than basic earnings per share for the third quarter ended October 30, 2004.

(2) These debentures will be included in diluted earnings per share effective for periods ending after December 15, 2004. The EITF issued Consensus No. 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share" in November 2004. The Consensus requires companies to include the convertible debt in diluted earnings per share regardless of whether the market price trigger has been met. All prior periods will be restated.

(3) The Company's Employees' Subordinated Convertible Preferred Stock is convertible one for one to the Company's common stock. Because there are no dividends paid on this stock, these shares are assumed to be converted.

The weighted shares outstanding reflects the effect of the stock buy back programs of up to 7.5 million shares announced by the Company in Fiscal 1999 - - 2003. The Company had repurchased 7.1 million shares as of January 31, 2004. The Company has not repurchased any shares during Fiscal 2005.

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Genesco Inc. and Consolidated Subsidiaries
Notes to Consolidated Financial Statements

Note 8
Earnings Per Share, Continued

(In thousands, except per share amounts)	For the Nine Months Ended October 30, 2004			For the Nine Months Ended November 1, 2003		
	Income (Numerator)	Shares (Denominator)	Per-Share Amount	Income (Numerator)	Shares (Denominator)	Per-Share Amount
Earnings from continuing operations	$23,128			$11,858		
Less: Preferred stock dividends	(219)			(221)		
Basic EPS						
Income available to common shareholders	22,909	21,902	$1.05	11,637	21,750	$.54
Effect of Dilutive Securities						
Options		391			240	
Convertible preferred stock[1]	-0-	-0-		-0-	-0-	
4 1/8% Convertible Subordinated Debentures[2]	-0-	-0-		-0-	-0-	
Employees' preferred stock[3]		64			65	
Diluted EPS						
Income available to common shareholders plus assumed conversions	$22,909	22,357	$1.02	$11,637	22,055	$.53

(1) The amount of the dividend on the convertible preferred stock per common share obtainable on conversion of the convertible preferred stock is higher than basic earnings per share for all periods presented. Therefore, conversion of the convertible preferred stock is not reflected in diluted earnings per share, because it would have been antidilutive. The shares convertible to common stock for Series 1, 3 and 4 preferred stock would have been 30,644, 37,263 and 24,946, respectively.

(2) These debentures will be included in diluted earnings per share effective for periods ending after December 15, 2004. The EITF issued Consensus No. 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share" in November 2004. The Consensus requires companies to include the convertible debt in diluted earnings per share regardless of whether the market price trigger has been met. All prior periods will be restated.

(3) The Company's Employees' Subordinated Convertible Preferred Stock is convertible one for one to the Company's common stock. Because there are no dividends paid on this stock, these shares are assumed to be converted.

The weighted shares outstanding reflects the effect of the stock buy back programs of up to 7.5 million shares announced by the Company in Fiscal 1999 - - 2003. The Company had repurchased 7.1 million shares as of January 31, 2004. The Company has not repurchased any shares during Fiscal 2005.

Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 9
Legal Proceedings

Environmental Matters

New York State Environmental Matters

In 1995, the Company received notice from the New York State Department of Environmental Conservation (the "Department") that it deemed remedial action to be necessary with respect to certain contaminants in the vicinity of a knitting mill operated by a former subsidiary of the Company from 1965 to 1969, and that it considered the Company a potentially responsible party. In August 1997, the Department and the Company entered into a consent order whereby the Company assumed responsibility for conducting a remedial investigation and feasibility study ("RIFS") and implementing an interim remediation measure ("IRM") with regard to the site, without admitting liability or accepting responsibility for any future remediation of the site. In conjunction with the consent order, the Company entered into an agreement with the owner of the site providing for a release from liability for property damage and for necessary access to the site, for payments totaling $400,000. The Company estimates that the cost of conducting the RIFS and implementing the interim remedial measure will be in the range of $5.9 million to $6.1 million, $2.5 million of which the Company has already paid which is net of insurance recoveries. The Company believes that it has adequately accrued for the costs of conducting the RIFS and implementing the interim remedial measure contemplated by the consent order, but there is no assurance that the consent order will ultimately resolve the matter.

As part of its analysis of whether to undertake further voluntary action, the Company has assessed various methods of preventing potential future impact of contamination from the site on two public wells that are in the expected future path of the groundwater plume from the site. The Village of Garden City has proposed the installation at the supply wells of enhanced treatment measures at an estimated cost of approximately $2.6 million, with estimated future costs of up to $2.0 million. In the third quarter of Fiscal 2005, the Company provided for the estimated cost of a remedial alternative it considers adequate to prevent such impact and which it would be willing to implement voluntarily. The Village of Garden City has also asserted that the Company is liable for historical costs of treatment at the wells totaling approximately $3.4 million. Because of evidence with regard to when contaminants from the site of the Company's former operations first reached the wells, the Company believes it should have no liability with respect to such historical costs.

The Company has not ascertained what responsibility, if any, it has for any contamination in connection with the facility or what other parties may be liable in that connection and is unable to predict the extent of its liability, if any, beyond that voluntarily assumed by the consent order. The Company's voluntary assumption of responsibility for the IRM and the RIFS, its decision to settle with the owner of the site and its willingness to implement a remedial alternative with respect to the supply wells were based upon its judgment that such actions were preferable to litigation to determine its liability, if any, for contamination related to the site. The Company intends to continue to evaluate the costs of further voluntary remediation versus the costs and uncertainty of litigation.

Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 9
Legal Proceedings, Continued

In October 2004, the Company received and responded to a questionnaire to its former Whitehall Leather division from the U.S. Environmental Protection Agency in connection with contamination at two sites in western New York State. The sites were reportedly used for waste disposal by a glue manufacturer not related to the Company which purchased byproducts of leather tanning operations to use as raw materials in the manufacture of glue. The Company found no evidence that Whitehall Leather sent any materials to the New York sites.

Whitehall Environmental Matters

Pursuant to a work plan approved by the Michigan Department of Environmental Quality ("MDEQ") the Company has performed sampling and analysis of soil, sediments, surface water, groundwater and waste management areas at the Company's former Volunteer Leather Company facility in Whitehall, Michigan.

In June 1999, the Company submitted a remedial action plan (the "Plan") for the site to MDEQ and subsequently amended it to include additional upland remediation to bring the property into compliance with regulatory standards for non-industrial uses. The Company, with the approval of MDEQ, had previously installed horizontal wells to capture groundwater from a portion of the site and treat it by air sparging. The Plan proposed continued operation of this system for an indefinite period and monitoring of groundwater samples to ensure that the system is functioning as intended. In the fourth quarter of Fiscal 2004 and again in the third quarter of Fiscal 2005, the Company proposed and provided for costs associated with certain enhancements to the system. Management cannot reasonably estimate the range of costs associated with future remediation of the site or predict whether it will have a material effect on the Company's financial condition or results of operations.

On June 30, 1999, the City of Whitehall filed an action against the Company in the circuit court for the City of Muskegon primarily seeking to require the Company to remediate lake sediment contamination at the site. The Company, the City of Whitehall and MDEQ settled their disagreement over lake sediments for a lump sum payment of $3.4 million by the Company in the first quarter of Fiscal 2003. In connection with the settlement, the City's lawsuit was dismissed with prejudice.

Related to all outstanding environmental contingencies, the Company had accrued $5.6 million as of October 30, 2004, $2.7 million as of January 31, 2004 and $1.2 million as of November 1, 2003. All such provisions reflect the Company's estimates of the most likely cost (undiscounted, including both current and noncurrent portions) of resolving the contingencies, based on facts and circumstances as of the time they were made. There is no assurance that relevant facts and circumstances will not change, necessitating future changes to the provisions. Such contingent liabilities are included in the liability arising from provision for discontinued operations on the accompanying balance sheet. Additional provision less insurance proceeds/recoveries realized, totaled approximately $705,000 for the three month period ended October 30, 2004 and $739,000 for the nine month period ended October 30, 2004. Such amounts were recognized in provision for discontinued operations, net on the accompanying Statements of Earnings.

Note 9
Legal Proceedings, Continued

Insurance Matter

In May 2003, the Company filed a declaratory judgment action in the U. S. District Court for the Middle District of Tennessee against former general liability insurance carriers that underwrote policies covering the Company during periods relevant to the New York State knitting mill matter described above and the matters described below under the caption "Whitehall Environmental Matters." The action sought a determination that the carriers' defense and indemnity obligations under the policies extend to the site. During the third quarter of Fiscal 2005, the Company and the carriers reached definitive settlement agreements and the Company received cash payments from the carriers totaling approximately $3.0 million in exchange for releases from liability with respect to the two sites. Net of the insurance proceeds, additional provisions totaling approximately $0.8 million for future remediation expenses associated with the New York State knitting mill matter described above and the Whitehall matter described above, are reflected in the loss from discontinued operations for the third quarter of Fiscal 2005.

Other Matters

Patent Action

In January 2003, the Company was named a defendant in an action filed in the United States District Court for the Eastern District of Pennsylvania, *Schoenhaus, et al. vs. Genesco Inc., et al.*, alleging that certain features of shoes in the Company's Johnston & Murphy line infringe the plaintiff's patent, misappropriate trade secrets and involve conversion of the plaintiff's proprietary information and unjust enrichment of the Company. The Company has filed an answer denying plaintiffs' claims and a motion to dismiss a portion of the claims and intends to defend the matter vigorously.

California Employment Matter

On October 22, 2004, the Company was named a defendant in a putative class action filed in the Superior Court of the State of California, Los Angeles, *Schreiner vs. Genesco Inc., et al.*, alleging violations of California wages and hours laws, and seeking damages of $40 million plus punitive damages. The Company has retained counsel and is assessing the allegations in the complaint, and intends to defend the matter vigorously.

Genesco Inc.and Subsidiaries

Notes to Consolidated Financial Statements

Note 10
Business Segment Information

The Company currently operates five reportable business segments (not including corporate): Journeys, comprised of Journeys and Journeys Kidz retail footwear operations; Underground Station Group, comprised of the Underground Station and Jarman retail footwear operations; Hat World/Lids, comprised of Hat World, Lids, Hat Zone, Cap Connection and Headquarters retail headwear operations; Johnston & Murphy, comprised of Johnston & Murphy retail operations and wholesale distribution; and Dockers Footwear. All the Company's segments sell footwear or headwear products to either retail or wholesale markets/customers.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies.

The Company's reportable segments are based on the way management organizes the segments in order to make operating decisions and assess performance along types of products sold. Journeys, Underground Station Group and Hat World/Lids sell primarily branded products from other companies while Johnston & Murphy and Dockers sell primarily the Company's owned and licensed brands.

Corporate assets include cash, deferred income taxes, deferred note expense and corporate fixed assets. The Company charges allocated retail costs of distribution to each segment and unallocated retail costs of distribution to the corporate segment. The Company does not allocate certain costs to each segment in order to make decisions and assess performance. These costs include corporate overhead, interest expense, interest income and restructuring and other charges and credits.

Three Months Ended October 30, 2004 In thousands	Journeys	Underground Station Group	Hat World/ Lids	Johnston & Murphy	Dockers	Corporate & Other	Consolidated
Sales	$137,985	$34,273	$ 59,477	$38,256	$18,400	$ 73	$288,464
Intercompany sales	-0-	-0-	-0-	-0-	(66)	-0-	(66)
Net sales to external customers	$137,985	$34,273	$ 59,477	$38,256	$18,334	$ 73	$288,398
Segment operating income (loss)	$ 17,967	$ 770	$ 7,681	$ 1,866	$ 2,140	$ (6,307)	$ 24,117
Restructuring and other	-0-	-0-	-0-	-0-	-0-	(667)	(667)
Earnings (loss) from operations	17,967	770	7,681	1,866	2,140	(6,974)	23,450
Interest expense	-0-	-0-	-0-	-0-	-0-	(3,204)	(3,204)
Interest income	-0-	-0-	-0-	-0-	-0-	66	66
Earnings (loss) before income taxes from continuing operations	$ 17,967	$ 770	$ 7,681	$ 1,866	$ 2,140	$(10,112)	$ 20,312
Total assets	$169,188	$61,765	$233,423	$63,434	$23,199	$ 90,430	$641,439
Depreciation	2,537	804	1,934	627	31	1,340	7,273
Capital expenditures	2,443	1,927	4,430	1,083	10	1,666	11,559

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Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 10
Business Segment Information, Continued

Three Months Ended November 1, 2003 In thousands	Journeys	Underground Station Group	Johnston & Murphy	Dockers	Corporate & Other	Consolidated
Sales	$121,602	$34,996	$38,760	$17,308	$ 102	$212,768
Intercompany sales	-0-	-0-	-0-	(285)	-0-	(285)
Net sales to external customers	$121,602	$34,996	$38,760	$17,023	$ 102	$212,483
Segment operating income (loss)	$ 16,484	$ 1,390	$ 455	$ 1,315	$ (2,942)	$ 16,702
Restructuring and other	-0-	-0-	-0-	-0-	-0-	-0-
Earnings (loss) from operations	16,484	1,390	455	1,315	(2,942)	16,702
Interest expense	-0-	-0-	-0-	-0-	(1,590)	(1,590)
Interest income	-0-	-0-	-0-	-0-	80	80
Earnings (loss) before income taxes from continuing operations	$ 16,484	$ 1,390	$ 455	$ 1,315	$ (4,452)	$ 15,192
Total assets	$165,221	$61,532	$64,210	$20,935	$133,728	$445,626
Depreciation	2,497	825	680	32	1,516	5,550
Capital expenditures	4,203	1,576	196	-0-	798	6,773

Nine Months Ended October 30, 2004 In thousands	Journeys	Underground Station Group	Hat World/ Lids	Johnston & Murphy	Dockers	Corporate & Other	Consolidated
Sales	$358,011	$97,864	$135,518	$118,210	$50,485	$ 223	$760,311
Intercompany sales	-0-	-0-	-0-	-0-	(448)	-0-	(448)
Net sales to external customers	$358,011	$97,864	$135,518	$118,210	$50,037	$ 223	$759,863
Segment operating income (loss)	$ 33,297	$ 907	$ 16,767	$ 5,492	$ 5,195	$(16,319)	$ 45,339
Restructuring and other	-0-	-0-	-0-	-0-	-0-	(627)	(627)
Earnings (loss) from operations	33,297	907	16,767	5,492	5,195	(16,946)	44,712
Interest expense	-0-	-0-	-0-	-0-	-0-	(8,138)	(8,138)
Interest income	-0-	-0-	-0-	-0-	-0-	222	222
Earnings (loss) before income taxes from continuing operations	$ 33,297	$ 907	$ 16,767	$ 5,492	$ 5,195	$(24,862)	$ 36,796
Total assets	$169,188	$61,765	$233,423	$ 63,434	$23,199	$ 90,430	$641,439
Depreciation	7,645	2,349	4,287	1,892	93	4,272	20,538
Capital expenditures	6,802	4,267	9,505	2,570	31	4,639	27,814

Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 10
Business Segment Information, Continued

Nine Months Ended November 1, 2003 In thousands	Journeys	Underground Station Group	Johnston & Murphy	Dockers	Corporate & Other	Consolidated
Sales	$317,791	$100,291	$118,368	$48,948	$ 224	$585,622
Intercompany sales	-0-	-0-	-0-	(915)	-0-	(915)
Net sales to external customers	$317,791	$100,291	$118,368	$48,033	$ 224	$584,707
Segment operating income (loss)	$ 28,758	$ 3,181	$ 2,429	$ 3,605	$ (10,614)	$ 27,359
Restructuring and other	-0-	-0-	-0-	-0-	139	139
Earnings (loss) from operations	28,758	3,181	2,429	3,605	(10,475)	27,498
Interest expense	-0-	-0-	-0-	-0-	(6,162)	(6,162)
Interest income	-0-	-0-	-0-	-0-	471	471
Loss on early retirement of debt	-0-	-0-	-0-	-0-	(2,581)	(2,581)
Earnings (loss) before income taxes from continuing operations	$ 28,758	$ 3,181	$ 2,429	$ 3,605	$ (18,747)	$ 19,226
Total assets	$165,221	$ 61,532	$ 64,210	$20,935	$133,728	$445,626
Depreciation	7,376	2,454	1,968	99	4,292	16,189
Capital expenditures	9,046	3,868	1,147	9	1,902	15,972

Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 11
Acquisitions

Hat World Acquisition

On April 1, 2004, the Company completed the acquisition of 100% of the outstanding common shares of Hat World Corporation ("Hat World") for a total purchase price of approximately $179 million, including adjustments for $12.6 million of net cash acquired, a $1.2 million subsequent working capital adjustment and direct acquisition expenses of $2.8 million. The release of the final escrow that could result in further adjustments to the purchase price will occur after April 1, 2005. The results of Hat World's operations have been included in the consolidated financial statements since that date. Headquartered in Indianapolis, Indiana, Hat World is a leading specialty retailer of licensed and branded headwear sold through 525 retail stores as of October 30, 2004. The Company believes the acquisition will enhance its strategic development and prospects for growth.

The acquisition has been accounted for using the purchase method in accordance with SFAS No. 141, "Business Combinations." Accordingly, the total purchase price has been allocated to the assets acquired and liabilities assumed based on their estimated fair values at acquisition as follows (amounts in thousands):

	At April 1, 2004
Inventories	$ 33,888
Property and equipment	24,278
Unamortizable intangible assets (indefinite-lived trademarks)	47,324
Amortizable intangibles (primarily lease write-up)	8,586
Goodwill	97,431
Other assets	3,830
Accounts payable	(19,036)
Noncurrent deferred tax liability	(23,036)
Other liabilities	(6,947)
Net Assets Acquired	$166,318

The trademarks acquired include the concept names and are deemed to have an indefinite life. Finite-lived intangibles include a $0.3 million customer list and an $8.3 million asset to reflect the adjustment of acquired leases to market. The weighted average amortization period for the asset to adjust acquired leases to market is 4.2 years. The goodwill related to the Hat World acquisition is not deductible for tax purposes.

Genesco Inc. and Subsidiaries
Notes to Consolidated Financial Statements

Note 11
Acquisitions, Continued

The following pro forma information presents the results of operations of the Company as if the Hat World acquisition had taken place at the beginning of all periods presented in the table below. Pro forma adjustments have been made to reflect additional interest expense from the $100.0 million in debt associated with the acquisition. The pro forma results of operations include $2.0 million of non-recurring transaction costs incurred by Hat World for the two months ended March 31, 2004.

	Pro forma			
	Three Months Ended		Nine Months Ended	
In thousands, except per share data	October 30, 2004	November 1, 2003	October 30, 2004	November 1, 2003
Net sales	**$288,398**	$260,814	**$792,824**	$714,960
Net earnings	**12,089**	10,898	**21,217**	12,963
Net earnings per share:				
Basic	**$ 0.55**	$ 0.50	**$ 0.96**	$ 0.59
Diluted	**$ 0.54**	$ 0.49	**$ 0.94**	$ 0.58

The pro forma results have been prepared for comparative purposes only and do not purport to be indicative of the results of operations that would have occurred had the Hat World acquisition occurred at the beginning of all periods presented.

Cap Connection Acquisition

On July 1, 2004, the Company acquired the assets and business of Edmonton, Alberta-based Cap Connection Ltd., consisting of 18 Cap Connection and Head Quarters stores at October 30, 2004 in Alberta, British Columbia and Ontario, Canada. The purchase price for the Cap Connection business was approximately $1.7 million, subject to adjustment, of which approximately $0.1 million is being held in escrow until certain conditions are met concerning leases. Cap Connection is a leading Canadian specialty retailer of headwear.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Forward Looking Statements

This discussion and the notes to the Consolidated Financial Statements include certain forward-looking statements, which include statements regarding our intent, belief or expectations and all statements other than those made solely with respect to historical fact. Actual results could differ materially from those reflected by the forward-looking statements in this discussion and a number of factors may adversely affect the forward looking statements and the Company's future results, liquidity, capital resources or prospects. These factors (some of which are beyond the Company's control) include:

- Weakness in consumer demand for products sold by the Company.
- Fashion trends that affect the sales or product margins of the Company's retail product offerings.
- Changes in the timing of the holidays or in the onset of seasonal weather affecting period to period sales comparisons.
- Changes in demand or buying patterns by significant wholesale customers.
- Year-to-year variations in the timing of holidays and other drivers of retail sales.
- Disruptions in product supply or distribution.
- Further unfavorable trends in foreign exchange rates and other factors affecting the cost of products.
- Changes in business strategies by the Company's competitors (including pricing and promotional discounts).
- The integration of the Hat World and Cap Connection acquisitions.
- The Company's ability to open, staff and support additional retail stores on schedule and at acceptable expense levels, to renew leases in existing stores on schedule and at acceptable expense levels and to identify and timely obtain new locations at acceptable expense levels.
- Certain increases in the trading price of the Company's common stock and changes in the applicable accounting treatment of the contingent conversion feature of the Company's 4.125% convertible subordinated debentures due 2023, either of which would result in an increase in common shares deemed outstanding in the calculation of earnings per share by 3.9 million shares.
- Variations from expected pension-related charges caused by conditions in the financial markets.
- The outcome of litigation and environmental matters involving the Company, including those discussed in Note 9 to the Consolidated Financial Statements.

Forward-looking statements reflect the expectations of the Company at the time they are made, and investors should rely on them only as expressions of opinion about what may happen in the future and only at the time they are made. The Company undertakes no obligation to update any forward-looking statement. Although the Company believes it has an appropriate business strategy and the resources necessary for its operations, predictions about future revenue and margin trends are inherently uncertain and the Company may alter its business strategies to address changing conditions.

Overview

The Company is a leading retailer and wholesaler of branded footwear and a leading retailer of licensed and branded headwear, operating 1,603 retail footwear and headwear stores and leased departments throughout the United States, Puerto Rico and Canada as of October 30, 2004. The Company also designs, sources, markets and distributes footwear under its own Johnston & Murphy brand and under the licensed Dockers brand to over 1,075 retail accounts in the United States, including a number of leading department, discount, and specialty stores. On April 1, 2004, the Company acquired Hat World Corporation (“Hat World”), a leading retailer of licensed and branded headwear operating 525 stores at October 30, 2004. On July 1, 2004, the Company acquired the assets and business of Edmonton, Alberta — based Cap Connection Ltd., a leading Canadian specialty retailer of headwear operating 18 stores at October 30, 2004. See “Significant Developments.”

The Company operates five reportable business segments (not including corporate): Journeys, comprised of Journeys and Journeys Kidz retail footwear chains; Underground Station Group, comprised of the Underground Station and Jarman retail footwear chains; Hat World/Lids, comprised of Hat World, Lids, Hat Zone, Cap Factory, Cap Connection and Headquarters retail headwear operations; Johnston & Murphy, comprised of Johnston & Murphy retail operations and wholesale distribution; and Dockers Footwear.

The Journeys retail footwear stores sell footwear and accessories primarily for 13 — 22 year old men and women. The stores average approximately 1,650 square feet. The Journeys Kidz retail footwear stores sell footwear primarily for younger children, ages five to 12. These stores average approximately 1,400 square feet.

The Underground Station Group retail footwear stores sell footwear and accessories for men and women in the 20 — 35 age group. The Underground Station Group stores average approximately 1,550 square feet. In the fourth quarter of Fiscal 2004, the Company made the strategic decision to close 34 Jarman stores during Fiscal 2005 subject to its ability to negotiate lease terminations. These stores are not suitable for conversion to Underground Station stores. The Company intends to convert the remaining Jarman stores to Underground Station stores as quickly as it is financially feasible, subject to landlord approval. During the first nine months of Fiscal 2005, 14 Jarman stores were closed and nine Jarman stores were converted to Underground Station stores.

Hat World/Lids retail stores sell licensed and branded headwear to men and women primarily in the mid-teen to mid-20’s age group. These stores average approximately 700 square feet and are located in malls, airports, street level stores and factory outlet stores nationwide and in Canada.

Johnston & Murphy retail stores sell a broad range of men’s dress and casual footwear and accessories to business and professional consumers primarily between the ages of 25 and 54. These stores average approximately 1,300 square feet and are located primarily in better malls nationwide. Johnston & Murphy shoes are also distributed through the Company’s wholesale operations to better department and independent specialty stores. In addition, the Company sells Johnston & Murphy footwear in factory stores located in factory outlet malls. These stores average approximately 2,400 square feet.

The Company entered into an exclusive license with Levi Strauss and Company to market men’s footwear in the United States under the Dockers® brand name in 1991. The Dockers license agreement was renewed October 22, 2004. The Dockers license agreement, as amended, expires on December 31, 2006 with a Company option to renew through December 31, 2008, subject to certain conditions. The Company uses the Dockers name to market casual and dress casual footwear to men aged 30 to 55 through many of the same national retail chains that carry Dockers slacks and sportswear and in department and specialty stores across the country.

The Company's net sales increased 35.7% during the third quarter of Fiscal 2005 compared to the prior year's third quarter. The increase was driven primarily by the addition of new stores (including 525 Hat World/Lids stores acquired on April 1, 2004 or opened since April 1, 2004 and 18 Cap Connection stores acquired on July 1, 2004 or opened since July 1, 2004), as well as a 7.7% increase in Dockers Footwear sales and a 4% increase in comparable store sales for all concepts. The same store sales increase was primarily due to growth in unit comparable sales in the Journeys business, a moderation in the decline in average selling price in the Journeys and Underground Station businesses and the addition of Hat World. Gross margin increased as a percentage of sales during the third quarter of Fiscal 2005 primarily due to the acquisition of Hat World, improvements in Johnston & Murphy wholesale due to changes in sourcing and less promotional selling, and improvement in Dockers Footwear's margin due to a reduction in close out sales compared to last year's third quarter.

The Company's strategy is to seek long-term growth by: 1) increasing the Company's store base, 2) increasing retail square footage, 3) improving comparable store sales and 4) increasing operating margin. Our future results are subject to various risks, uncertainties and other challenges, including those discussed under the caption "Forward Looking Statements," above. Among the most important of these factors are those related to consumer demand. Conditions in the external economy can affect demand, resulting in changes in sales and, as prices are adjusted to drive sales and control inventories, in gross margins. Because fashion trends influencing many of the Company's target customers (particularly customers of Journeys, Underground Station and Hat World) can change rapidly, the Company believes that its ability to detect and respond quickly to those changes has been important to its success. Even when the Company succeeds in aligning its merchandise offerings with consumer preferences, those preferences may affect results. The Company believes its experience and discipline in merchandising and the buying power associated with its relative size in the industry are important to its ability to mitigate risks associated with changing customer preferences.

Significant Developments

Cap Connection Acquisition

On July 1, 2004, the Company acquired the assets and business of Edmonton, Alberta-based Cap Connection Ltd. The purchase price for the Cap Connection business was approximately $1.7 million, subject to adjustment. At October 30, 2004, the Company operated 18 Cap Connection and Headquarters stores, in Alberta, British Columbia and Ontario, Canada.

Hat World Acquisition

On April 1, 2004, the Company completed the acquisition of Hat World Corporation for a total purchase price of approximately $179 million, including adjustments for $12.6 million of net cash acquired, a $1.2 million subsequent working capital adjustment and direct acquisition expenses of $2.8 million. Hat World is a leading specialty retailer of licensed and branded headwear. As of October 30, 2004, it operated 525 stores across the U.S. under the Hat World, Lids and Hat Zone names. The Company believes the acquisition will enhance its strategic development and prospects for growth. The Company funded the acquisition and associated expenses with a $100.0 million, five-year term loan and the balance from cash on hand.

New $175.0 million Credit Facility

On April 1, 2004, the Company entered into new credit facilities totaling $175.0 million with 10 banks, led by Bank of America, N.A., as Administrative Agent, to fund a portion of the purchase price for the Hat World acquisition and to replace its existing revolving credit facility. The $175.0 million facility consists of a $100.0 million, five-year term loan and a $75.0 million five-year revolving credit facility. The agreement governing the facilities expires April 1, 2009. See Note 5 to the Consolidated Financial Statements.

Fiscal 2005 Other Charges and Credits

The Company recorded a pretax charge to earnings of $0.7 million in the third quarter of Fiscal 2005. The charge was primarily for lease terminations of four Jarman stores and retail store asset impairments. These lease terminations were part of a plan announced by the Company in the fourth quarter of Fiscal 2004 to close 48 stores in Fiscal 2005.

The Company recorded a pretax credit to earnings of $0.2 million in the second quarter of Fiscal 2005. The credit was primarily for the recognition of a gain on the curtailment of the Company's defined benefit pension plan, offset by charges for retail store asset impairments and lease terminations of four Jarman stores.

The Company recorded a pretax charge to earnings of $0.1 million in the first quarter of Fiscal 2005. The charge was primarily for lease terminations of six Jarman stores.

Impairment and Other Charges

The Company recorded a pretax charge to earnings of $1.0 million ($0.6 million net of tax) in the fourth quarter of Fiscal 2004. The charge includes $2.8 million in asset impairments related to 59 underperforming retail stores identified as suitable for closing if acceptable lease terminations can be negotiated, most of which are Jarman stores. The charge is net of recognition of $1.8 million of excess restructuring provisions relating to facility shutdown costs originally accrued in Fiscal 2002. In accordance with SFAS No. 146, the Company revised its estimated liability and reduced the lease obligation during the period that the early lease termination was legally obtained.

Discontinued Operations

The Company recorded a charge to earnings (net of tax) of $0.4 million ($0.01 diluted earnings per share) in the third quarter of Fiscal 2005 primarily for anticipated costs of environmental remedial alternatives related to two manufacturing facilities formerly operated by the company, offset by $3.0 million from settlements with certain insurance carriers regarding the sites. See Note 9 to the Consolidated Financial Statements.

Results of Operations — Third Quarter Fiscal 2005 Compared to Fiscal 2004

The Company's net sales in the third quarter ended October 30, 2004 increased 35.7% to $288.4 million from $212.5 million in the third quarter ended November 1, 2003. The sales increase included Hat World/Lids sales of $59.5 million for the third quarter this year. Hat World was acquired by the Company on April 1, 2004. Gross margin increased 44.6% to $143.4 million in the third quarter this year from $99.1 million in the same period last year and increased as a percentage of net sales from 46.7% to 49.7%. Selling and administrative expenses in the third quarter this year increased 44.7% from the third quarter last year and increased as a percentage of net sales from 38.8% to 41.3%. The Company records buying and merchandising and occupancy costs in selling and administrative expense. Because the Company does not include these costs in cost of sales, the Company's gross margin may not be comparable to other retailers that include these costs in the calculation of gross margin. Explanations of the changes in results of operations are provided by business segment in discussions following these introductory paragraphs.

Pretax earnings for the third quarter ended October 30, 2004 were $20.3 million, compared to $15.2 million for the third quarter ended November 1, 2003. Pretax earnings for the third quarter ended October 30, 2004 included a restructuring and other charge of $0.7 million, primarily for lease terminations of four Jarman stores and retail store asset impairments. These lease terminations were part of the 48 stores the Company announced in the fourth quarter of Fiscal 2004 that it planned to close in Fiscal 2005. See "Significant Developments."

Net earnings for the third quarter ended October 30, 2004 were $12.1 million ($0.54 diluted earnings per share), compared to $9.4 million ($0.42 diluted earnings per share) for the third quarter ended November 1, 2003. Net earnings for the third quarter ended October 30, 2004 included a $0.4 million ($0.01 diluted earnings per share) charge to earnings (net of tax) primarily for anticipated costs of environmental remedial alternatives related to two manufacturing facilities formerly operated by the Company, offset by $3.0 million from settlements with certain insurance carriers regarding the sites. See Note 9 to the Consolidated Financial Statements. The Company recorded an effective income tax rate of 38.3% in the third quarter this year compared to 38.0% in the same period last year.

Journeys

	Three Months Ended		
	October 30, 2004	**November 1, 2003**	**% Change**
	(dollars in thousands)		
Net sales	**$137,985**	$121,602	13.5%
Operating income	**$ 17,967**	$ 16,484	9.0%
Operating margin	**13.0%**	13.6%	

Net sales from Journeys increased 13.5% for the third quarter ended October 30, 2004 compared to the same period last year. The increase reflects primarily a 7% increase in comparable store sales and a 6% increase in average Journeys stores operated (i.e., the sum of the number of stores open on the first day of the fiscal quarter and the last day of each fiscal month during the quarter divided by four). Footwear unit comparable sales also increased 10% for the third quarter ended October 30, 2004. The average price per pair of shoes decreased 3% in the third quarter of Fiscal 2005, reflecting fashion-related changes in product mix, while unit sales increased 17% during the same period. The Journeys business experienced a moderation in the decline in average selling price of products during the quarter, continuing a trend in the results of recent quarters. The average price fell 3% during the third quarter this year compared to 9% in the third quarter last year. Journeys operated 687 stores at the end of the third quarter of Fiscal 2005, including 41 Journeys Kidz stores, compared to 658 stores at the end of the third quarter last year, including 40 Journeys Kidz stores. With the addition of a Journeys store in Hawaii during the third quarter this year, the Journeys business has a store in every state except Montana and expects to have one there early next year.

Journeys operating income for the third quarter ended October 30, 2004 increased 9.0% to $18.0 million, compared to $16.5 million for the third quarter ended November 1, 2003. The increase was due to increased net sales, reflecting the increase in comparable store sales and stores operated. Gross margin decreased as a percentage of net sales, reflecting changes in product mix, which caused operating margin to decrease from 13.6% for the third quarter ended November 1, 2003 to 13.0% for the third quarter ended October 30, 2004.

Underground Station Group

	Three Months Ended		
	October 30, 2004	**November 1, 2003**	**% Change**
	(dollars in thousands)		
Net sales	**$34,273**	$34,996	(2.1)%
Operating income	**$ 770**	$ 1,390	(44.6)%
Operating margin	**2.2%**	4.0%	

Net sales from the Underground Station Group (comprised of Underground Station and Jarman retail stores) decreased 2.1% for the third quarter ended October 30, 2004 compared to the same period last year. The decrease in net sales was primarily due to a 30% decline in Jarman retail store sales, reflecting a 28% decrease in Jarman stores operated related to the Company’s strategy of closing Jarman stores or converting them to Underground Station stores. Sales for Underground Station stores increased 17% for the third quarter this year. Comparable store sales were down 5% for the Underground Station Group and comparable store sales for Underground Station stores were down only 2%, which compares to a 7% decrease for the same period last year. The 2% comparable store sales decrease in the third quarter this year compares favorably to the second quarter where comparable store sales were down 11%. Footwear unit comparable sales were also down 9% for the Underground Station Group for the third quarter ended October 30, 2004. The average price per pair of shoes increased 1% in the third quarter of Fiscal 2005, primarily reflecting changes in product mix, while unit sales decreased 8% during the same period. The average price per pair of shoes at Underground Station stores increased 4% during the third quarter this year, primarily reflecting changes in product mix. This compares to a 1% decline in average price per pair of shoes in the second quarter this year and a 4% decline in the first quarter this year. Gross margin increased as a percentage of net sales during the third quarter ended October 30, 2004, reflecting decreased markdowns. Underground Station Group operated 231 stores at the end of the third quarter of Fiscal 2005, including 158 Underground Station stores. The Underground Station Group had operated 237 stores at the end of the third quarter last year, including 132 Underground Station stores.

The Underground Station Group’s operating income for the third quarter ended October 30, 2004 was $0.8 million compared to $1.4 million in the third quarter ended November 1, 2003. The decrease was due to decreased net sales, reflecting the decrease in comparable store sales and stores operated, and to increased expenses as a percentage of net sales.

Hat World/Lids

	Three Months Ended*		
	October 30, 2004	**November 1, 2003**	**% Change**
	(dollars in thousands)		
Net sales	**$59,477**	$-0-	NA
Operating income	**$ 7,681**	$-0-	NA
Operating margin	**12.9%**	0%	

* The Company acquired Hat World on April 1, 2004.

Hat World/Lids comparable store sales increased 12% for the third quarter ended October 30, 2004. A strong gross margin contributed to the operating margin of 12.9%. Management believes that Hat World's comparable store sales increase resulted from favorable trends in consumer demand, driven by strong core sports products, particularly major league baseball, the Boston Red Sox and the New York Yankees, as well as strength in the fashion and branded businesses.

Johnston & Murphy

	Three Months Ended		
	October 30, 2004	**November 1, 2003**	**% Change**
	(dollars in thousands)		
Net sales	**$38,256**	$38,760	(1.3)%
Operating income	**$ 1,866**	$ 455	310.1%
Operating margin	**4.9%**	1.2%	

Johnston & Murphy net sales decreased 1.3% to $38.3 million for the third quarter ended October 30, 2004 from $38.8 million for the third quarter ended November 1, 2003, reflecting a 1% decrease in comparable store sales for Johnston & Murphy retail operations, a 7% decrease in average stores operated and a 4% decrease in Johnston & Murphy wholesale sales. Retail operations accounted for 72.5% of Johnston & Murphy segment sales in the third quarter this year, up from 71.7% in the third quarter last year. The average price per pair of shoes for Johnston & Murphy retail operations increased 7% (7% in the Johnston & Murphy shops) in the third quarter this year, primarily due to a greater emphasis on a more focused assortment of higher-end, premium footwear, while unit sales were down 9% during the same period. The store count for Johnston & Murphy retail operations at the end of the third quarter of Fiscal 2005 included 142 Johnston & Murphy stores and factory stores compared to 152 Johnston & Murphy stores and factory stores at the end of the third quarter of Fiscal 2004. The decline in wholesale sales was due to less closeout sales. Unit sales for the Johnston & Murphy wholesale business decreased 13% in the third quarter of Fiscal 2005 while the average price per pair of shoes increased 10% for the same period. The unfilled order position for Johnston & Murphy wholesale was up at the end of the third quarter this year.

Johnston & Murphy operating income for the third quarter ended October 30, 2004 increased to $1.9 million for the third quarter this year from $0.5 million last year, primarily due to increased gross margin as a percentage of net sales, reflecting improvements in sourcing, less promotional selling and a higher mix of premium product.

Dockers Footwear

	Three Months Ended		
	October 30, 2004	November 1, 2003	% Change
	(dollars in thousands)		
Net sales	**$18,334**	$17,023	7.7%
Operating income	**$ 2,140**	$ 1,315	62.7%
Operating margin	**11.7%**	7.7%	

Dockers Footwear's net sales increased 7.7% to $18.3 million for the third quarter ended October 30, 2004, from $17.0 million for the third quarter ended November 1, 2003. The sales increase was primarily attributable to the Stain Defender product line. Unit sales of Dockers footwear increased 4% for the third quarter this year and the average price per pair of shoes increased 2% for the same period, reflecting less closeout sales.

Dockers Footwear's operating income for the third quarter ended October 30, 2004 increased to $2.1 million, compared to $1.3 million for the third quarter ended November 1, 2003, primarily due to increased sales, increased gross margin as a percentage of net sales, reflecting less closeout sales, and to decreased expenses as a percentage of net sales.

Corporate, Interest Expenses and Other Charges

Corporate and other expenses for the third quarter ended October 30, 2004 were $7.0 million, compared to $2.9 million for the third quarter ended November 1, 2003. This year's third quarter included $0.7 million of restructuring and other charges, primarily for lease terminations of four Jarman stores and retail store asset impairments. The increase in corporate expenses in the third quarter this year reflects higher bonus accruals, increased professional fees (including increased audit department costs resulting from additional work to comply with the Sarbanes-Oxley legislation and related regulations) and the absence of similar restructuring charges in the third quarter last year.

Interest expense increased 101.5% from $1.6 million in the third quarter ended November 1, 2003 to $3.2 million for the third quarter ended October 30, 2004, primarily due to the additional $100.0 million term loan, which was used to purchase Hat World, and to the increase in revolver borrowings. There was an average of $11.1 million of borrowings under the Company's revolving credit facility during the three months ended October 30, 2004, and no borrowings during the three months ended November 1, 2003.

Interest income decreased 17.5% in the third quarter this year compared to the third quarter last year due to the decrease in average short-term investments.

Results of Operations — Nine Months Fiscal 2005 Compared to Fiscal 2004

The Company's net sales in the nine months ended October 30, 2004 increased 30.0% to $759.9 million from $584.7 million in the nine months ended November 1, 2003. The sales increase included Hat World/Lids sales of $135.5 million for the period April 1, 2004 through October 30, 2004. Hat World was acquired by the Company on April 1, 2004. Gross margin increased 38.9% to $375.9 million in the first nine months this year from $270.7 million in the same period last year and increased as a percentage of net sales from 46.3% to 49.5%. Selling and administrative expenses in the first nine months this year increased 35.9% from the first nine months last year and increased as a percentage of net sales from 41.6% to 43.5%. The Company records buying and merchandising and occupancy costs in selling and administrative expense. Because the Company does not include these costs in cost of sales, the Company's gross margin may not be comparable to other retailers that include these costs in the calculation of gross margin. Explanations of the changes in results of operations are provided by business segment in discussions following these introductory paragraphs.

Pretax earnings for the nine months ended October 30, 2004 were $36.8 million, compared to $19.2 million for the nine months ended November 1, 2003. Pretax earnings for the nine months ended October 30, 2004 included a restructuring and other charge of $0.6 million, primarily for lease terminations of fourteen Jarman stores and retail store asset impairments offset by the gain on the curtailment of the Company's defined benefit pension plan. These lease terminations were part of the 48 stores the Company announced in the fourth quarter of Fiscal 2004 that it planned to close in Fiscal 2005. See "Significant Developments." Pretax earnings for the nine months ended November 1, 2003 included a $2.6 million loss on the early retirement of debt, offset by a $0.1 million adjustment to a previous restructuring charge.

Net earnings for the nine months ended October 30, 2004 were $22.7 million ($1.00 diluted earnings per share), compared to $11.9 million ($0.53 diluted earnings per share) for the nine months ended November 1, 2003. Net earnings for the nine months ended October 30, 2004 included a $0.5 million ($0.02 diluted earnings per share) charge to earnings (net of tax) primarily for anticipated costs of environmental remedial alternatives related to two manufacturing facilities formerly operated by the Company, offset by $3.3 million from settlements with certain insurance carriers regarding the sites. See Note 9 to the Consolidated Financial Statements. The Company recorded an effective income tax rate of 37.1% in the first nine months this year compared to 38.3% in the same period last year. Income taxes for the first nine months this year included a favorable tax settlement of $0.5 million. Without the settlement, the rate would have been 38.5% for the first nine months this year.

Journeys

	Nine Months Ended		
	October 30, 2004	**November 1, 2003**	**% Change**
	(dollars in thousands)		
Net sales	**$358,011**	$317,791	12.7%
Operating income	**$ 33,297**	$ 28,758	15.8%
Operating margin	**9.3%**	9.0%	

Net sales from Journeys increased 12.7 % for the nine months ended October 30, 2004 compared to the same period last year. The increase reflects primarily a 6% increase in comparable store sales and a 7% increase in average Journeys stores operated (i.e., the sum of the number of stores open on the first day of the fiscal year and the last day of each fiscal month during the nine months divided by ten). Footwear unit comparable sales also increased 7% for the nine months ended October 30, 2004. The average price per pair of shoes decreased 3% in the first nine months of Fiscal 2005, reflecting fashion-related changes in product mix, while unit sales increased 14% during the same period. The comparable sales performance was primarily driven by the moderation in the decline in average selling price from 8% in the fourth quarter of Fiscal 2004 to 3% in the first nine months of Fiscal 2005 and by continued growth in unit comparable sales.

Journeys operating income for the nine months ended October 30, 2004 was up 15.8% to $33.3 million compared to $28.8 million for the nine months ended November 1, 2003. The increase was due to increased net sales, reflecting the increase in comparable store sales and stores operated, and to increased gross margin as a percentage of net sales, primarily reflecting decreased markdowns.

Underground Station Group

	Nine Months Ended		
	October 30, 2004	**November 1, 2003**	**% Change**
	(dollars in thousands)		
Net sales	**$97,864**	$100,291	(2.4)%
Operating income	**$ 907**	$ 3,181	(71.5)%
Operating margin	**0.9%**	3.2%	

Net sales from the Underground Station Group (comprised of Underground Station and Jarman retail stores) decreased 2.4 % for the nine months ended October 30, 2004 compared to the same period last year. Comparable store sales were down 6% for the Underground Station Group and down 5% for the Underground Station stores. Footwear unit comparable sales for Underground Station Group were also down 6%. The average price per pair of shoes decreased 2% in the first nine months of Fiscal 2005, primarily reflecting changes in product mix, and unit sales decreased 4% during the same period.

Underground Station Group operating earnings for the nine months ended October 30, 2004 was $0.9 million compared to $3.2 million in the nine months ended November 1, 2003. The decrease was due to decreased net sales, reflecting the decrease in comparable store sales and to increased expenses as a percentage of net sales.

Hat World/Lids

	Nine Months Ended*		
	October 30, 2004	**November 1, 2003**	**% Change**
	(dollars in thousands)		
Net sales	**$135,518**	$-0-	NA
Operating income	**$ 16,767**	$-0-	NA
Operating margin	**12.4%**	0%	

*The Company acquired Hat World on April 1, 2004. Results for the nine month period ended October 30, 2004 are for the period April 1, 2004 — October 30, 2004.

Hat World/Lids comparable store sales increased 15% for the period April 1, 2004 — October 30, 2004. A strong gross margin contributed to the operating margin of 12.4%. Management believes that Hat World’s comparable store sales increase resulted from several favorable trends in merchandise mix: 1) strong core major league baseball business due to the popularity of certain major market teams like the Yankees, Dodgers, Red Sox and Cubs; 2) strength in fashion categories featuring major league baseball and NBA teams; and 3) demand for trucker style hats across many categories of merchandise. During the second quarter this year, the Company acquired Cap Connection, a leading Canadian — based specialty retailer of headwear. “See Significant Developments.”

Johnston & Murphy

	Nine Months Ended		
	October 30, 2004	November 1, 2003	% Change
	(dollars in thousands)		
Net sales	**$118,210**	$118,368	(0.1)%
Operating income	**$ 5,492**	$ 2,429	126.1%
Operating margin	**4.6%**	2.1%	

Johnston & Murphy net sales decreased 0.1% to $118.2 million for the nine months ended October 30, 2004 from $118.4 million for the nine months ended November 1, 2003, reflecting primarily a 10% decrease in Johnston & Murphy wholesale sales offset by a 2% increase in comparable store sales for Johnston & Murphy retail operations. The decrease in wholesale sales was the result of the Company’s strategic decision to reduce the number of individual locations in some accounts in which Johnston & Murphy products would be offered and to reduce the amount of promotional activity with the Johnston & Murphy brand in order to seek more profitable sales rather than sales growth and to emphasize Johnston & Murphy’s premium position in the market place. Unit sales for the Johnston & Murphy wholesale business decreased 17% in the first nine months of Fiscal 2005 while the average price per pair of shoes increased 9% for the same period. Retail operations accounted for 73.9% of Johnston & Murphy segment sales in the first nine months this year, up from 71.1% in the first nine months last year. The average price per pair of shoes for Johnston & Murphy retail operations increased 9% (10% in the Johnston & Murphy shops) in the first nine months this year, primarily due to a greater emphasis on a more focused assortment of higher-end, premium footwear, while unit sales were down 7% during the same period.

Johnston & Murphy operating income for the nine months ended October 30, 2004 increased 126.1% from $2.4 million last year to $5.5 million for the first nine months this year, primarily due to increased gross margin as a percentage of net sales, reflecting improvements in sourcing, less promotional selling and a higher mix of premium product.

Dockers Footwear

	Nine Months Ended		
	October 30, 2004	November 1, 2003	% Change
	(dollars in thousands)		
Net sales	**$50,037**	$48,033	4.2%
Operating income	**$ 5,195**	$ 3,605	44.1%
Operating margin	**10.4%**	7.5%	

Dockers Footwear’s net sales increased 4.2% to $50.0 million for the nine months ended October 30, 2004, from $48.0 million for the nine months ended November 1, 2003. The sales increase reflected increased demand for the Company’s products. Unit sales of Dockers footwear increased

2% for the first nine months this year and the average price per pair of shoes increased 1% for the same period, reflecting less markdowns.

Dockers Footwear's operating income for the nine months ended October 30, 2004 increased 44.1% to $5.2 million compared to $3.6 million for the nine months ended November 1, 2003, primarily due to increased sales, increased gross margin as a percentage of net sales, reflecting less markdowns, and to decreased expenses as a percentage of net sales.

Corporate, Interest Expenses and Other Charges

Corporate and other expenses for the nine months ended October 30, 2004 were $16.9 million, compared to $13.1 million for the nine months ended November 1, 2003. This year's corporate and other expenses included $0.6 million of restructuring and other charges, primarily for lease terminations of 14 Jarman stores and retail store asset impairments offset by the gain on the curtailment of the Company's defined benefit pension plan. Corporate and other expenses last year included charges of $2.6 million on the early retirement of debt offset by a $0.1 million adjustment to a previous restructuring charge. The increase in corporate expenses in the first nine months this year is attributable primarily to higher bonus accruals and increased professional fees (including increased legal and audit department costs resulting from additional work to comply with the Sarbanes-Oxley legislation and related regulations) offset by the absence of similar restructuring charges.

Interest expense increased 32.1% from $6.2 million for the nine months ended November 1, 2003 to $8.1 million for the nine months ended October 30, 2004, primarily due to the additional $100.0 million term loan, which was used to purchase Hat World, the increase in bank activity fees as a result of new stores added due to the acquisition of Hat World and an increase in revolver borrowings. There was an average of $6.5 million of borrowings under the Company's revolving credit facility during the nine months ended October 30, 2004, and no borrowings during the nine months ended November 1, 2003.

Interest income decreased 52.9% in the first nine months this year compared to the first nine months last year due to the decrease in average short-term investments.

Liquidity and Capital Resources

The following table sets forth certain financial data at the dates indicated.

	October 30, 2004	November 1, 2003
	(dollars in millions)	
Cash and cash equivalents	**$ 15.0**	$ 44.3
Working capital	**$148.6**	$172.5
Long-term debt (includes current maturities)	**$192.3**	$ 86.3

Working Capital

The Company's business is somewhat seasonal, with the Company's investment in inventory and accounts receivable normally reaching peaks in the spring and fall of each year. Historically, cash flow from operations has been generated principally in the fourth quarter of each fiscal year.

Cash provided by operating activities was $17.5 million in the first nine months of Fiscal 2005 compared to $26.5 million in the first nine months of Fiscal 2004. The $9.0 million decrease in cash flow from operating activities reflects primarily a decrease in cash flow from changes in inventory, accounts payable and accounts receivable of $26.4 million, $14.8 million and $6.2 million, respectively, offset by an increase in cash flow from changes in other accrued liabilities of $17.7 million, a $10.8 million increase in net earnings for the first nine months this year and a $4.3 million increase in depreciation. The $26.4 million decrease in cash flow from inventory was due to growth in Journey's inventory to support the growth in the business and the addition of Hat World. The $14.8 million decrease in cash flow from accounts payable was due to changes in buying patterns. The $6.2 million decrease in cash flow from accounts receivable was due to increased wholesale sales. The $17.7 million increase in cash flow from other accrued liabilities was due to increased bonus accruals and lower bonus payments.

The $63.7 million increase in inventories at October 30, 2004 from January 31, 2004 levels reflects seasonal increases in retail and wholesale inventories including increased seasonal requirements due to the Hat World acquisition.

Accounts receivable at October 30, 2004 increased $5.9 million compared to January 31, 2004, primarily due to increased Dockers Footwear sales in the third quarter of Fiscal 2005.

Cash provided (or used) due to changes in accounts payable and accrued liabilities are as follows:

	Nine Months Ended	
	October 30, 2004	**November 1, 2003**
	(in thousands)	
Accounts payable	**$21,330**	$36,162
Accrued liabilities	**14,802**	(2,858)
	$36,132	$33,304

The fluctuations in cash provided due to changes in accounts payable for the first nine months this year from the first nine months last year are due to changes in buying patterns and inventory levels, due to the acquisition of Hat World, and to payment terms negotiated with individual vendors. The change in cash provided due to changes in accrued liabilities for the first nine months this year from the first nine months last year was due primarily to increased bonus accruals.

There was an average of $6.5 million of revolving credit borrowings during the first nine months ended October 30, 2004 and no borrowings during the first nine months ended November 1, 2003, as cash generated from operations and cash on hand funded most of the seasonal working capital requirements and capital expenditures for the first nine months of Fiscal 2004. On April 1, 2004, the Company entered into a new credit agreement with ten banks, providing for a $100.0 million, five-year term loan and a $75.0 million five-year revolving credit facility.

The Company's contractual obligations over the next five years have increased from January 31, 2004 as a result of the Hat World acquisition. Long-term debt increased to $192.3 million from $86.3 million due to the purchase of Hat World. As a result of the new $100.0 million, five-year term loan, long-term debt maturing during each of the next five fiscal years has increased. See Note 5 to the Consolidated Financial Statements. Operating lease obligations increased to $572.5 million from $478.7 million due to the addition of 525 Hat World/Lids stores and 18 Cap Connection and Head Quarters Canadian stores purchased on July 1, 2004. Purchase obligations increased to over $170.0 million from $131.8 million due to the addition of Hat World and seasonal increases in retail inventory.

Capital Expenditures

Total capital expenditures in Fiscal 2005 are expected to be approximately $39.2 million. These include expected retail capital expenditures of $32.8 million to open approximately 43 Journeys stores, two Journeys Kidz stores, seven Johnston & Murphy stores and factory stores, 25 Underground Station stores and 56 Lids stores and to complete 65 major store renovations, including 14 conversions of Jarman stores to Underground Station stores. The amount of capital expenditures in Fiscal 2005 for other purposes is expected to be approximately $6.4 million, including approximately $1.6 million for new systems to improve customer service and support the Company's growth.

Future Capital Needs

The Company used proceeds from the $100.0 million term loan and cash on hand to purchase Hat World. The Company expects that cash on hand and cash provided by operations will be sufficient to fund all of its planned capital expenditures through Fiscal 2006, although the Company plans to borrow under its credit facility from time to time, particularly in the fall, to support seasonal working capital requirements. The approximately $4.1 million of costs associated with discontinued operations that are expected to be incurred during the next twelve months are also expected to be funded from cash on hand and borrowings under the revolving credit agreement.

In total, the Company's board of directors has authorized the repurchase, from time to time, of up to 7.5 million shares of the Company's common stock. There were 398,300 shares remaining to be repurchased under these authorizations as of October 30, 2004. The board has subsequently reduced the repurchase authorization to 100,000 shares in view of the Hat World acquisition. Any purchases would be funded from available cash and borrowings under the revolving credit agreement. The Company has repurchased a total of 7.1 million shares at a cost of $71.3 million under a series of authorizations since Fiscal 1999. The Company has not repurchased any shares during Fiscal 2005.

There were $10.2 million of letters of credit outstanding and $6.0 million borrowings outstanding under the revolving credit agreement at October 30, 2004, leaving availability under the revolving credit agreement of $58.8 million. The revolving credit agreement requires the Company to meet certain financial ratios and covenants, including minimum tangible net worth, fixed charge coverage and debt to EBITDAR ratios. The Company was in compliance with these financial covenants at October 30, 2004.

The Company's revolving credit agreement restricts the payment of dividends and other payments with respect to common stock, including repurchases. The aggregate of annual dividend requirements on the Company's Subordinated Serial Preferred Stock, $2.30 Series 1, $4.75 Series 3 and $4.75 Series 4, and on its $1.50 Subordinated Cumulative Preferred Stock is $292,000.

Environmental and Other Contingencies

The Company is subject to certain loss contingencies related to environmental proceedings and other legal matters, including those disclosed in Note 9 to the Company's Consolidated Financial

Statements. The Company has made accruals for certain of these contingencies, including approximately $0.7 million for the first nine months of Fiscal 2005, $1.4 million reflected in Fiscal 2004 and $0.3 million reflected in Fiscal 2003. The Company monitors these matters on an ongoing basis and, on a quarterly basis, management reviews the Company's reserves and accruals in relation to each of them, adjusting provisions as management deems necessary in view of changes in available information. Changes in estimates of liability are reported in the periods when they occur. Consequently, management believes that its reserve in relation to each proceeding is a reasonable estimate of the probable loss connected to the proceeding, or in cases in which no reasonable estimate is possible, the minimum amount in the range of estimated losses, based upon its analysis of the facts and circumstances as of the close of the most recent fiscal quarter. However, because of uncertainties and risks inherent in litigation generally and in environmental proceedings in particular, there can be no assurance that future developments will not require additional reserves to be set aside, that some or all reserves may not be adequate or that the amounts of any such additional reserves or any such inadequacy will not have a material adverse effect upon the Company's financial condition or results of operations.

Financial Market Risk

The following discusses the Company's exposure to financial market risk related to changes in interest rates and foreign currency exchange rates.

Outstanding Debt of the Company — The Company's outstanding long-term debt of $86.3 million 4 1/8% Convertible Subordinated Debentures due June 15, 2023 bears interest at a fixed rate. Accordingly, there would be no immediate impact on the Company's interest expense related to the debentures, due to fluctuations in market interest rates. The Company's $100.0 million term loan bears interest according to a pricing grid providing margins over LIBOR or Alternate Base Rate. The Company entered into three separate interest rate swap agreements as a means of managing its interest rate exposure on the $100.0 million term loan. The aggregate notional amount of the swaps is $65.0 million. At October 30, 2004, the net loss on these interest rate swaps was $0.2 million. As of October 30, 2004, a 1% adverse change in the three month LIBOR interest rate would increase the Company's interest expense on the $100.0 million term loan by approximately $0.3 million on an annual basis.

Cash and Cash Equivalents — The Company's cash and cash equivalent balances are invested in financial instruments with original maturities of three months or less. The Company does not have significant exposure to changing interest rates on invested cash at October 30, 2004. As a result, the Company considers the interest rate market risk implicit in these investments at October 30, 2004 to be low.

Foreign Currency Exchange Rate Risk — Most purchases by the Company from foreign sources are denominated in U.S. dollars. To the extent that import transactions are denominated in other currencies, it is the Company's practice to hedge its risks through the purchase of forward foreign exchange contracts. At October 30, 2004, the Company had $8.6 million of forward foreign exchange contracts for Euro. The Company's policy is not to speculate in derivative instruments for profit on the exchange rate price fluctuation and it does not hold any derivative instruments for trading purposes. Derivative instruments used as hedges must be effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. The unrealized gain on contracts outstanding at October 30, 2004 was $0.5 million based on current spot rates. As of October 30, 2004, a 10% adverse change in foreign currency exchange rates from market rates would decrease the fair value of the contracts by approximately $1.0 million.

Accounts Receivable — The Company's accounts receivable balance at October 30, 2004 is concentrated in its two wholesale businesses, which sell primarily to department stores and independent retailers across the United States. Two customers each accounted for 12% and another customer accounted for 11% of the Company's trade accounts receivable balance as of October 30, 2004. The Company monitors the credit quality of its customers and establishes an allowance for doubtful accounts based upon factors surrounding credit risk, historical trends and other information; however, credit risk is affected by conditions or occurrences within the economy and the retail industry, as well as company-specific information.

Summary — Based on the Company's overall market interest rate and foreign currency rate exposure at October 30, 2004, the Company believes that the effect, if any, of reasonably possible near-term changes in interest rates on the Company's consolidated financial position, results of operations or cash flows for Fiscal 2005 would not be material. However, fluctuations in foreign currency exchange rates could have a material effect on the Company's consolidated financial position, results of operations or cash flows for Fiscal 2005.

New Accounting Principles

In November 2004, the Emerging Issues Task Force (EITF) issued Consensus No. 04-8, "The Effect of Contingently Convertible Debt on Diluted Earnings per Share." The Consensus addresses when to include contingently convertible debt instruments in diluted earnings per share. The Consensus requires companies to include the convertible debt in diluted earnings per share regardless of whether the market price trigger has been met. The Company's diluted earnings per share calculation for Fiscal 2005 will include an additional 3.9 million shares and a net after tax interest add back of $2.5 million. The Consensus is effective for periods ending after December 15, 2004 and requires restatement of prior period diluted earnings per share.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

The Company incorporates by reference the information regarding market risk appearing under the heading "Financial Market Risk" in Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations.

Item 4. Controls and Procedures

(a) Evaluation of disclosure controls and procedures. The Company's principal executive officer and its principal financial officer have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based on that evaluation, the Company's principal executive officer and its principal financial officer have concluded that the Company's disclosure controls and procedures effectively and timely provide them with material information relating to the Company and its consolidated subsidiaries required to be disclosed in the reports the Company files or submits under the Exchange Act.

(b) Changes in internal control over financial reporting. In connection with its preparations to perform the assessment of internal controls required under Section 404 of the Sarbanes-

Oxley Act, the Company identified areas in which controls could be enhanced to increase the effectiveness of the Company's overall internal control structure.

During the quarter ended October 30, 2004, the Company made changes to enhance the effectiveness of internal controls in two areas. First, the Company increased the level of documentation, review, and analysis performed during the financial statement closing process. Second, the Company enhanced the documentation process surrounding the review and approval of retail store level employee additions. In addition to the two items identified above, the Company has identified modifications that could enhance controls related to information systems security and program changes. The Company is in the process of completing these modifications and anticipates successful completion by the middle of the fourth quarter of Fiscal 2005. While the Company expects to complete all currently planned improvements to internal controls during the fourth quarter, review and testing of controls will continue and may reveal presently unanticipated control deficiencies, which could include significant deficiencies and material weaknesses.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

On October 22, 2004, the Company was named a defendant in a putative class action filed in the Superior Court of the State of California, Los Angeles, *Schreiner vs. Genesco Inc., et al.*, alleging violations of California wages and hours laws, and seeking damages of $40 million plus punitive damages. The Company has retained counsel and is assessing the allegations in the complaint, and intends to defend the matter vigorously.

Item 6. Exhibits

No.	Description
(10.1)	Trademark License Agreement, dated August 9, 2000, between Levi Strauss & Co. and Genesco Inc.*
(10.2)	Amendment No. 1 (Renewal) to Trademark License Agreement, dated October 18, 2004, between Levi Strauss & Co. and Genesco Inc.*
(31.1)	Certification of the Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(31.2)	Certification of the Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
(32.1)	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
(32.2)	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Certain information has been omitted and filed separately with the Securities and Exchange Commission. Confidential treatment has been requested with respect to the omitted portions.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Genesco Inc.

/s/ James S. Gulmi

James S. Gulmi
Chief Financial Officer
December 9, 2004

EXHIBIT 10.1

EXECUTION COPY

TRADEMARK LICENSE AGREEMENT

THIS IS A TRADEMARK LICENSE AGREEMENT dated as of August 9, 2000 between LEVI STRAUSS & CO., a Delaware corporation located at 1155 Battery Street, San Francisco, California 94111 ("LS&CO."), and Genesco Inc., a Tennessee corporation located at Genesco Park, 1415 Murfreesboro Road, Nashville, TN 37217 ("Licensee").

BACKGROUND

LS&CO. owns the trademarks (as defined in Section 1, the "Trademarks") associated with the Dockers(R) brand. LS&CO. has developed the Trademarks and brand to have an outstanding reputation and goodwill. Licensee is in the business of designing, manufacturing, marketing and selling men's footwear products. Licensee desires to obtain, and LS&CO. is willing to grant, a license, under which Licensee may and shall use the Trademarks as described in this Agreement.

LS&CO. AND LICENSEE AGREE AS FOLLOWS:

1. Grant of License

LS&CO. grants to Licensee, and Licensee accepts, an exclusive, non-assignable right to use the Trademarks as described in this Agreement, solely in connection with the manufacture, advertising, distribution and sale of Products to Approved Retailers for resale by those Approved Retailers within the Territory. "Trademarks" means: (i) all of the trademarks identified on Exhibit A; (ii) any combination, form or derivative of those trademarks which LS&CO. may, from time to time at its sole discretion, specifically authorize for use by Licensee in a writing identifying the mark and referring to this Section 1; and (iii) any other trademark LS&CO. may, from time to time at its sole discretion, specifically authorize for use by Licensee in a writing identifying the mark and referring to this Section 1, it being understood that LS&CO. may from time to time remove or substitute individual trademarks from Exhibit A at its sole discretion because of changes in marketing strategy, branding evolution or otherwise. "Products" means those items identified on Exhibit B, all bearing or incorporating one or more of the Trademarks. "Territory" means the United States, it territories and possessions. "Approved Retailers" means retailers approved under Section 8 to purchase Products from Licensee.

2. Term

2.1 Initial Term. The initial term of this Agreement shall begin as of January 1, 2001 and shall end on December 31, 2004 (the "Initial Term"), unless earlier terminated as provided in Section 13. It shall consist of four Annual Periods. "Annual Period" shall mean, for the Initial Term and any renewal term, the twelve- (12) month period beginning January 1 of a given year and ending December 31 of that year.

2.2 Renewal Term. This Agreement shall be renewed, upon written request of Licensee delivered to LS&CO. not earlier than April 1, 2004 and not later than June 30, 2004, for one (1) additional four year term, commencing on January 1, 2005 and ending on December 31, 2008 ("Renewal Term"), if: (i) Net Sales of Products for the Annual Period beginning January 1, 2003 are no less than $60,000,000 and (ii) Licensee is in compliance with all terms and conditions contained in this Agreement and there is no outstanding Event of Default existing on the date Licensee delivers its notice of renewal or at any time during the balance of the Initial Term. Licensee shall include with its renewal notice data demonstrating that the renewal condition set out in clause (i) is satisfied, a written certification by the president, a vice president or the chief financial officer to the effect that the condition set out in clause (ii) is met and Licensee's projections for sales of Products during the contemplated Renewal Term. Within thirty (30) days after receipt of Licensee's renewal notice, and again on the last day of the Initial Term, LS&CO. shall notify Licensee whether or not the conditions to renewal set out in this Section 2.2 are satisfied or waived. If they are satisfied, then this Agreement shall be considered renewed. If they are not satisfied, then this Agreement shall expire and terminate at the end of the Initial Term. Licensee's failure to timely deliver its notice of renewal shall be treated as a final decision by Licensee that it has elected not to renew.

3. Royalties

3.1 Guaranteed Minimum Royalty. Licensee shall pay to LS&CO. a non-recoupable guaranteed minimum royalty (the "Guaranteed Minimum Royalty") in respect of each Annual Period. The Guaranteed Minimum Royalty shall be as follows:

Annual Period	Guaranteed Minimum Royalty
1st	$2,850,000
2nd	$3,050,000
3rd	$3,250,000
4th	$3,460,000

In the event that Earned Royalties for any quarter fall below one-fourth of the above Guaranteed Minimum Royalty for the applicable Annual Period, Licensee will pay any shortfall to LS&CO. no later than the 15th calendar day following the close of each calendar quarter. If royalties actually paid during any Annual Period equal or exceed the Guaranteed Minimum Royalty for that Annual Period, subsequent royalty payments shall be made on the basis of actual sales only. Should there be a renewal of this Agreement as contemplated by Section 2.2, the Guaranteed Minimum Royalty in respect of each Annual Period during the Renewal Term shall be an amount equal to [_______]* of the projected earned royalty for such Annual Period, as reflected in the projections supplied by Licensee to LS&CO. as contemplated by Section 2.2.

3.2 Earned Royalty.

(a) During each Annual Period of the Initial Term and the Renewal Term, if any, Licensee shall pay to LS&CO. earned royalties on (i) first quality Products, (ii) second

* CONFIDENTIAL INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION

quality, closeout, and end of season Products ("Second Quality"), and (iii) Products specifically designed and approved for sale to LS&CO outlet stores (currently operated by Designs, Inc. and MOST) ("Made for Outlet") in amounts as follows:

Men's

Initial Term and Renewal Term	First Quality (% of Aggregate Net Sales)	Second Quality (% of Aggregate Net Sales)	Made for Outlet (% of Aggregate Net Sales)
1st Annual Period	[____]*	[____]*	[____]*

In the event that LS&CO. notifies Licensee in writing that one or more of the Trademarks will be removed from Exhibit A in one hundred fifty (150) days or less, Licensee may sell Products bearing the formerly approved Trademarks as closeout items only to those Approved Retailers approved under Section 8.3 for a period of one hundred twenty (120) days after Licensee receives written notice from LS&CO. of the removal of said Trademarks from Exhibit A ("Involuntary Discontinuations.").

Licensee shall pay to LS&CO., no later than thirty (30) days after the end of each quarterly period, an amount equal to the excess of earned royalties in a quarter over the Guaranteed Minimum Royalty for that quarter. Licensee shall pay Second Quality royalty rates on Involuntary Discontinuations. Licensee shall pay First Quality royalty rates on Second Quality Products for any Annual Period to the extent that sales of Second Quality Products (other than Involuntary Discontinuations) are greater than [____]* of total Product sales (in terms of dollars). For any such Annual Period, Licensee shall pay LS&CO., at the time it delivers the annual statement for that Annual Period as described in Section 9.2, an amount equal to the amount during that Annual Period that the Licensee owed for royalties on Second Quality Products in excess of the amount already paid over the [____]*.

(b) "Net Sales" shall mean the gross sales of all Products sold, less trade discounts actually taken and credits for merchandise returns actually applied to subsequent payments required to be made to Licensee, with merchandise returns being credited in the quarterly period in which the returns are actually made. A Product shall be considered "sold" on the earlier of the date when the Product is billed or invoiced, shipped, consigned or paid for. The terms of payment or credit concerns relating to Approved Retailers or otherwise shall not affect Licensee's royalty payment obligations.

3.3 Payment Mechanics. Licensee shall make royalty and all other required payments to LS&CO. in U.S. Dollars by wire transfer to:

[____]*

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Licensee shall provide LS&CO. with written documentation of the wire transfer within five (5) days of each such transfer. If a payment is not received when due for any reason, interest shall accrue on the unpaid principal amount of such installment from and after the date on which it became due, at a rate equal to 1% over the base rate (expressed as an annual rate) announced from time to time by Citibank N.A. New York (or its successor) as then in effect. If, upon any examination of Licensee's books and records as provided by Section 9, LS&CO. discovers any royalty underpayment by Licensee, then Licensee will make, within twenty-two (22) days after LS&CO.'s demand, all payments required to be made to correct and eliminate the underpayment. In addition, if that examination reveals an underpayment of more than 1% for any quarterly period, then Licensee shall reimburse LS&CO. for LS&CO.'s expenses in performing the examination.

3.4 Monthly Reporting. Within twenty (22) days after the end of each calendar month, Licensee shall prepare and furnish to LS&CO. a monthly royalty statement setting forth Net Sales by account, Net Sales by style, net returns by account and net returns by style, and a calculation of royalties, for the preceding month. Licensee shall include with each royalty statement a written certification of statement accuracy by the chief' financial officer of Licensee or Licensee's accounting firm. Licensee shall transmit such statement via such method as may be designated by LS&CO. from time to time (whether by electronic transmission, fax or mail). Currently, all reports shall be transmitted electronically through the use of LicenseNet(R) software.

3.5 Royalty Statement. A Royalty Statement shall be prepared and furnished by Licensee to LS&CO. with respect to each quarterly period ended the last business day of March, June, September and December of the term, and shall be furnished to LS&CO. within thirty (30) calendar days of the end of each such period. The Royalty Statement shall include Net Sales by account, net returns by account and a calculation of royalties. Licensee shall include with each royalty statement a written certification of statement accuracy by the chief financial officer of Licensee or Licensee's accounting firm.

3.6 Monthly Sales Reports. LS&CO. may, from time to time, revise the report process and format described above. Upon notice from LS&CO., Licensee shall comply with the revised reporting requirements as reasonably determined by LS&CO.

4. Marketing and Sales

4.1 Sales Plan. On or before September 1 of each Annual Period, Licensee shall deliver to LS&CO. a general plan showing aggregate net sales expectations for the upcoming Annual Period. No later than thirty (30) days following Licensee's delivery of the proposed sales plan, LS&CO. and Licensee shall meet to discuss and complete a final sales plan (the "Sales Plan"), it being understood that the line plan, list of retailers and specific marketing materials and plans are subject to LS&CO.'s approval as provided elsewhere in this Agreement and that actual sales performance may vary from that contemplated by the Sales Plan in view of market conditions, customer relations and other factors.

4.2 Consumer Advertising. During each Annual Period, Licensee shall pay to LS&CO., or to such other person or entity as LS&CO. may designate, an amount equal to [____]* on projected Net Sales up to [____]*, [____]* on projected Net Sales between [____]* and [____]*, and [____]* on projected Net Sales over [__]* on men's products only (the "Marketing Contribution"). Licensee shall pay these amounts to LS&CO. within thirty (30) days after receipt of invoices from LS&CO., it being understood that LS&CO. anticipates issuing these invoices at the time of the underlying expenditure for marketing activities. If actual aggregate Net Sales exceed projected Net Sales for any Annual Period, then Licensee shall pay to LS&CO. an agreed percentage of the excess, with that amount payable in, and for use during, the next Annual Period, in addition to the Marketing Contribution otherwise due for that Annual Period. Marketing Contributions shall be separate from and shall not be subject to credit for expenditures by Licensee for cooperative advertising, trade advertising, fixture programs, trade shows, sampling or any other promotional or sales material. LS&CO. shall use these funds for consumer marketing of the brand and branded products through vehicles and at the times and in the manner as LS&CO. may determine, Licensee acknowledging that it may not receive any direct or pro rata benefit from its Marketing Contributions.

4.3 Business Materials. Licensee shall not use any business materials, including, without limitation, invoices, stationery, advertising, promotional materials, sundries, labels, packaging, fixtures, posters or graphics, bearing any of the Trademarks, unless such materials comply with LS&CO.'s trademark use standards as contemplated by Section 11.7 and unless Licensee shall have first obtained LS&CO.'s approval of the use. Any approval granted by LS&CO. shall be effective until revoked by LS&CO.; to the extent LS&CO.'s approval relates only to a seasonal collection of Products, however, Licensee shall not use such packaging or business materials without LS&CO.'s separate specific approval after completion of the season to which the collection relates.

4.4 Retailer-Level Advertising. Licensee shall work directly with the Approved Retailers to plan and execute retailer-level advertising (including cooperative advertising if requested by LS&CO.) and events. LS&CO. shall provide guidelines for such advertising including, without limitation, acceptable trademark and/or logo usage, recommendations of layout, models, styling, size and placement of advertising. Licensee shall use reasonable efforts to ensure Approved Retailer compliance with those guidelines. Licensee shall not use cooperative advertising or other advertising materials prepared by Licensee for Approved Retailers without first obtaining LS&CO.'s approval of such materials. Any cooperative or other advertising developed under this Section 4.6 shall be limited to use during the seasonal collection of Products to which such advertising relates.

4.5 Retail and Visual Presentations

(a) Licensee, at its sole expense, shall develop all visuals used at retail, including packaging, fixtures, point of sale materials and visual merchandising materials. Licensee shall provide LS&CO. with a timetable for the development of the materials. LS&CO. may provide reasonable guidelines for the development of such materials, and use of all such materials shall be subject to LS&CO.'s prior approval. Licensee at its expense may use the vendors and creative agencies used by LS&CO. for similar projects. If Licensee decides not to

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use such vendors, it shall nonetheless be required to comply with guidelines provided by LS&CO. If LS&CO. reasonably determines that any materials produced by a vendor selected by Licensee do not meet LS&CO.'s quality standards, Licensee shall upon LS&CO.'s request select and use an alternate vendor approved by LS&CO.

(b) Licensee shall use reasonable efforts to secure premium retail locations, custom fixturing and strong image positioning for the Products on the retail floor. Licensee shall work with retailers to update the location, fixturing and positioning on a regular basis. Licensee shall not provide, both during the term of this Agreement and after its expiration or termination, packaging, fixtures, point of sale, visual merchandising or related materials to any person other than to an Approved Retailer or, following expiration or termination of this Agreement, to LS&CO.

4.6 Trade Advertising; Publicity

(a) Licensor shall be responsible for the development, at Licensee's sole expense, of all advertising in trade or industry publications. Licensor shall submit all such advertising to Licensee for its approval prior to its submission to the publication. Licensee shall use LS&CO. branded apparel or accessories in all Product advertising whenever a head to toe shot or visual requiring other product categories is required. If LS&CO. or one of its licensees does not have a product category required for the advertisement, then LS&CO. and Licensee shall choose an alternate brand for that product category, it being understood that Licensee shall: (i) be responsible for obtaining appropriate legal advice concerning such use; (ii) cause all trademark or other identifying marks or features visible on the item to be removed from or obscured in the final image prior to publication; and (iii) be responsible in all respects to the maker of the alternative product. If removing or obscuring the mark is impossible because of the nature of the product or is unsatisfactory from an aesthetic or legal perspective, then Licensee and LS&CO. shall select another product.

(b) Licensee shall maintain editorial contacts within its industry and shall use reasonable efforts to gain editorial coverage for Products in relevant industry publications. Licensee shall not, however, make any press or other public communications (except to the extent that in Licensee's reasonable judgment disclosure is required by applicable law) regarding LS&CO., Dockers(R) brand or Product plans and strategies, sales or earnings of the Products or the status of the relationship between LS&CO. and Licensee, without in each case first obtaining LS&CO.'s approval, it being understood that LS&CO. anticipates that it will coordinate all major programs to publicize or promote the Products.

4.7 Merchandise Coordinators. At such time as LS&CO. and Licensee mutually agree that the business requires it, Licensee shall provide, at its sole expense, the services of merchandise coordinators to service retail purchasers of Products. Licensee shall train such coordinators and sales associates at its sole expense. Licensee shall use LS&CO. brand and trend information to illustrate overall brand strategies in such training.

4.8 Marketing Coordination. The senior executives of Licensee responsible for marketing the Products shall attend marketing coordination meetings as requested by LS&CO.

These meetings shall include discussion of marketing, publicity, promotion, advertising, visual programs, and use of Trademarks, and development of annual and seasonal marketing plans. Representatives from other licensees of the Trademarks and creative vendors of LS&CO. may be present as LS&CO. may decide. LS&CO. shall schedule marketing coordination meetings upon reasonable advance notice and at times consistent with market calendars.

4.9 Research. LS&CO. may, at its discretion and sole expense, perform research of consumer reaction to advertising or product initiatives involving Products. LS&CO. shall inform Licensee in advance of such research; Licensee shall participate if asked by LS&CO.

5. Product Designs

Licensee shall not produce or sell any Product unless LS&CO. approves of the design and the collection under this Section 5. Licensee shall produce two collections per Annual Period, for the Spring/Summer and Fall/Winter seasons and not less than fifteen (15) Styles for each collection. (For purposes of this Section 5, a "Style" shall mean a specific design in a particular fabrication.) Licensee shall submit to LS&CO., for LS&CO.'s approval in accordance with the design schedule attached as Exhibit C, all proposed designs and collections, through vehicles and formats acceptable to LS&CO. If LS&CO approves but specifies modifications in the designs or collections, then Licensee shall incorporate those modifications in the final design and composition of the collection. In addition, LS&CO. may submit proposed designs to Licensee. Licensee shall in good faith consider these designs, and Licensee and LS&CO. shall mutually decide whether to pursue and use the proposed design. LS&CO. shall have the sole right to determine which Trademarks (and which combinations, forms or derivatives of such trademarks) shall be used in connection with each particular Product.

6. Products: Quality Control

6.1 Submission of Samples. Licensee shall not market or sell any Products without first obtaining LS&CO.'s approval of the Products through the process described in this Section 6. Licensee shall submit to LS&CO., at Licensee's sole expense, one Sample of each different Style of a Product prior to any commercial production of that Product. LS&CO. shall pay for any additional Samples it requests at a price equal to Licensee's first factory cost for the item. If LS&CO. rejects a Sample, whether on the basis of Trademark use, style, design, dimensions, details, colors, materials, workmanship, quality or otherwise, it shall give Licensee a brief explanation of the reasons for disapproval, and it may make suggestions for modifying the particular item. Licensee shall promptly correct such Sample and resubmit such Sample for LS&CO.'s approval through the same process. "Sample" means a prototype or actual sample of a Product from which commercial production will be made; a Sample shall reflect product attributes including, without limitation, the type and quality of materials, colors and workmanship. LS&CO. shall have no obligation to approve, review or consider any item the submission of which did not comply with the required submission procedure. Licensee shall either destroy Samples or dispose of them through methods (for example, deposit in a sample archive or an employee sample sale) not involving placement into the marketplace.

6.2 Compliance with Sample. Licensee shall present for sale, through the showing of each seasonal collection to the trade, Products identical in all respects to approved Samples. Licensee shall ensure that all Products manufactured and sold by Licensee adhere in all respects (including, without limitation, use of Trademarks, materials, colors, workmanship, dimensions, styling, detail and quality) to Samples approved by LS&CO. If any Product is, in the sole discretion of LS&CO., not being manufactured or sold in adherence to the Trademark uses, styles, designs, dimensions, details, colors, materials, workmanship and quality embodied in the Samples or otherwise approved by LS&CO., LS&CO. shall notify Licensee in writing and Licensee shall immediately stop selling the Product, and either (i) change the Product to so conform as confirmed by LS&CO. or (ii) dispose of remaining inventory by selling the Products as seconds to those Approved Retailers approved under Section 8.3 or by destroying the Products.

6.3 Withdrawal of Approval. LS&CO. shall have the right, in its sole discretion, to withdraw its approval of a Product, whether or not the Product is non-complying as contemplated by Section 6.2. Upon receipt of written notice from LS&CO. of its decision to withdraw approval, Licensee shall immediately stop selling the Product as a first quality in-season Product and instead sell the Product as a closeout item only to those Approved Retailers approved under Section 8.3. Licensee may, however, complete work in process and utilize materials on hand provided that it submits proof of that work in process to LS&CO. and sells those Products as closeouts to those Approved Retailers approved under Section 8.3.

6.4 Production Line. Licensee shall provide to LS&CO., at Licensee's expense, one full production line of the initial season's collection of Products, including each different Style of a Product. Licensee shall in every subsequent season provide to LS&CO. one production line of any new or seasonal Style for that season. Licensee shall provide to LS&CO. additional production lines or portions of lines of Products at LS&CO.'s request upon payment by LS&CO. of an amount equal to Licensee's first factory cost for the Products.

6.5 Seconds. In the case of second quality Products, Licensee, if possible given the nature of the Product, shall remove the Trademarks from the Product or prominently mark all such Products with the legend "second" or "irregular," or a red-line. Licensee shall not sell any Products incorporating any labels or other identification bearing any of the Trademarks as seconds, damaged or defective merchandise without first obtaining LS&CO.'s approval.

6.6 Other Product Attributes. Licensee shall ensure that all Products shall be suitable for their intended purposes; that no injurious, unlawfully flammable, poisonous, deleterious or toxic substances or materials will be used in or on the Products; that the Products in normal or foreseeable use will not harm the user; and that the Products will be manufactured, advertised, labeled, sold and distributed in compliance with all applicable laws and regulations and in accordance with LS&CO. standards relating to flammability, detachable hardware and other matters. Licensee shall not sell or shall immediately stop selling any Product that does not meet or is later found not to meet these requirements.

7. Personnel and Cooperation

7.1 Designation of Managerial Personnel. Licensee shall at all times employ a senior manager, reasonably satisfactory to LS&CO., who shall be responsible for oversight of the production, merchandising, distribution and promotion of the Products. Andy Gilbert shall be the initial manager.

7.2 Designation of Design Personnel. Licensee shall at all times employ a designer [or designers], reasonably satisfactory to LS&CO., who shall be responsible for oversight of Product design, direction and development. Dave Malek shall be the initial designer.

7.3 Consultation. Licensee and LS&CO. shall make their respective personnel, and shall use reasonable efforts to make the personnel of any of their contractors, sub-licensees, suppliers and other resources, available for consultation with the other party during normal business hours. When requested by LS&CO., Licensee shall make available senior executives of Licensee to discuss matters arising under this Agreement.

7.4 Computer Network. Upon LS&CO.'s reasonable request, Licensee will enable itself to use and will use, with LS&CO. and other LS&CO. licensees, an extranet or other electronic linkage system specified by LS&CO. Licensee will at its expense (not to exceed $5,000 in any Annual Period) acquire and maintain appropriate enabling hardware, software and enhancements.

7.5 LS&CO. Management Personnel. Upon Licensee's reasonable request, LS&CO. will attempt to make key senior management personnel available to participate in Licensee retailer visits, trade shows, or similar events. Licensee will pay out of pocket expenses incurred by LS&CO., including, without limitation, travel and lodging expenses, for those managers.

8. Distribution

8.1 Overview. The retail distribution of products bearing the Trademarks is of critical importance to LS&CO. It affects the ability of LS&CO. to, among other things, reach the target consumers of the Dockers(R) brand, maintain the reputation and integrity of the Trademarks, enhance the image of the Dockers(R) brand and facilitate consistency in product presentation and assortment. Those concerns, and LS&CO.'s commercial need to maintain flexibility in its distribution strategies and policies, underlie the provisions of this Section 8. Accordingly, Licensee shall market, sell and distribute Products in the Territory in accordance with its provisions. Retailers approved under Sections 8.2 and 8.3 of this Agreement and identified on Exhibits D and E, as the case may be, are occasionally referred to as "Approved Retailers."

8.2 First Quality. Licensee may market, sell and distribute first quality, in season Products only to: (i) the retailers listed on Exhibit D as in effect at the time and (ii) LS&CO. and its affiliates. Licensee shall not market, sell or distribute first quality, in season Products to any retailer listed on Exhibit E1 without LS&CO.'s prior written approval. Licensee acknowledges that LS&CO. may at its sole discretion, during discussion of the Sales Plan or otherwise, determine that certain Products may be sold by Licensee only to selected retailers listed on Exhibit D.

8.3 Second Quality. Licensee may market, sell and distribute second quality and closeout or end of season Products only to: (i) the retailers listed on Exhibit E1 as in effect at the time and (ii) LS&CO. and its affiliates. Licensee shall not market, sell or distribute second quality and closeout Products to any retailer listed on Exhibit D without LS&CO.'s prior written approval.

8.4 Made for Outlet. Licensee may market, sell and distribute "Made for Outlet" Products only to: (i) the retailers listed on Exhibit E2, as in effect at the time and (ii) LS&CO. and its affiliates. Licensee shall not market, sell or distribute Made for Outlet Products to any retailer not listed on Exhibit E2 without LS&CO.'s prior written approval.

8.5 Additional Approved Retailers. Licensee may ask LS&CO. at any time to add additional retailers to Exhibits D, E1 or E2. Licensee shall give LS&CO. a completed Account Approval Form, in the form attached as Exhibit F for each proposed additional retailer and all additional information, including without limitation, interior and exterior photographs and data about the retailer's customer base, as LS&CO. may request. LS&CO. may approve or disapprove the request in its sole discretion. If LS&CO. approves an additional retailer, then LS&CO. shall prepare and distribute a new and governing Exhibit D ,Exhibit E1, or Exhibit E2, as the case may be, which shall be effective going forward.

8.6 Withdrawal of Approval. LS&CO. may in its sole discretion withdraw approval of any Approved Retailer by giving written notice to Licensee. After Licensee's receipt of such notice, Licensee may ship Products to the retailer for a period of one hundred twenty (120) days. If Licensee has executed supply contracts with a disapproved retailer which require Licensee to ship beyond thirty (30) days, Licensee shall provide LS&CO. with a copy of any such contract for LS&CO.'s consent to ship beyond the thirty- (30) day period, and Licensee may fulfill any non-cancelable portion of that supply contract or, at LS&CO.'s option, LS&CO. may pay Licensee any cancellation penalty amounts due under the supply contract and Licensee shall not fulfill the contract. Licensee recognizes that LS&CO. may from time to time change its distribution profile and account policies, or take actions in implementing and enforcing its account policies, and that such actions may result in the withdrawal of approvals. If LS&CO. withdraws approval of a retailer, then LS&CO. shall prepare and distribute a new Exhibit D, Exhibit E1 or Exhibit E2, as the case may be, which shall be effective going forward. If LS&CO. withdraws approval of a retailer of a size and volume such that withdrawal will materially, adversely affect Licensee's ability to achieve the minimum sales targets established herein, then the parties shall negotiate in good faith to recalculate the Guaranteed Minimum Royalties set forth in Section 3.1 and the minimum net sales threshold for renewal set forth in Section 2.2.

8.7 Accommodation Sale. Licensee may make accommodation sales of Products to its employees. Licensee shall pay LS&CO. a royalty on such accommodation sales at the rates specified in Section 3.

8.8 Prohibited Sales. Licensee shall not market, sell or distribute any Products through or to any person or entity except as expressly provided in this Section 8. For example, Licensee shall not sell Products (i) to any wholesaler, jobber or exporter or (ii) directly to consumers except through a Licensee-owned brick-and-mortar retail store approved under Section 8.2 or 8.3. Licensee shall not, without LS&CO.'s prior approval, sell any Products to any third party (including an Approved Retailer) which, directly or indirectly, sells or, Licensee knows or has reason to know, proposes to sell, such Products outside the Territory, or sell or proposes to sell Products through the Internet or any other vehicle other than an approved brick-and-mortar retail store. Licensee shall use reasonable efforts to prevent any such resale outside the Territory or through an unauthorized vehicle and shall, immediately upon receiving notice from LS&CO. or otherwise learning that an Approved Retailer is selling Products outside the Territory or through an unauthorized vehicle, cease all sales and deliveries to that Approved Retailer.

8.9 Sales to LS&CO. Licensee shall make available for purchase, and shall sell at its customary price and on its customary credit and payment terms, all lines and Styles of Products, to LS&CO., to any affiliate of LS&CO. and to any person or firm operating any stores or facilities in the Territory under license from LS&CO. which are authorized by LS&CO. to sell Products. LS&CO. and any of its affiliates may market, sell and distribute Products directly to consumers, including without limitation, catalog sales, sales through the Internet and sales through LS&CO.-owned retail stores.

9. Inspection; Statements and Records

9.1 Inspection Rights. LS&CO. and its representatives may, during normal business hours and upon reasonable advance notice, inspect all facilities used by Licensee and its contractors, sublicensees and suppliers in connection with Licensee's performance of its obligations under this Agreement including compliance with Section 10. These facilities shall include, without limitation, those used for preparation of Samples and for manufacture, sale, storage or distribution of Products in the process of manufacture and when offered for sale.

9.2 Accounting and Audit Rights. Licensee shall at all times keep an accurate account of all operations and transactions within the scope of this Agreement. Within thirty (30) days after the end of each quarter, Licensee shall give to LS&CO.: a statement presenting (i) a listing of each retailer to which Licensee sold Products in such period and the sales to each such retailer in such period expressed in both units of each Product sold and aggregate Net Sales for each Product sold and (ii) aggregate gross sales, aggregate trade discounts, aggregate merchandise returns and aggregate Net Sales of all sales of Products by product category. These statements shall be in sufficient detail to be audited from the books of the Licensee and shall be certified by the chief financial officer of Licensee. No later than forty five (45) days after the end of Licensee's fiscal year, Licensee shall give to LS&CO.: (i) a statement, certified by the chief financial officer of Licensee, showing aggregate gross sales, aggregate trade discounts, aggregate merchandise returns and aggregate Net Sales of Products made by Licensee; and (ii) copies of Licensee's audited balance sheet, income statement, statement of cash flows and statement of stockholders' equity, and the notes to those statements, as of the year-end and for the twelve-month period then ended. During the term of this Agreement and for a period of five (5) years after its termination or expiration, LS&CO. or its agents, at LS&CO.'s sole expense, may inspect and audit all the books of account of Licensee relating to performance by Licensee of its obligations under this Agreement, including, without limitation, those relating to computation of Net Sales.

9.3 Records. Licensee shall provide to LS&CO., in the form requested by LS&CO., such information as LS&CO. may reasonably request with respect to the manufacture, distribution and sale of Products and Licensee's compliance with the provisions of this Agreement. Licensee shall retain all books and records relating to its performance of this Agreement during the term of this Agreement and for a period of five (5) years after its termination or expiration.

10. Ethics Code and Global Sourcing and Operating Guidelines

10.1 LS&CO. Reputation. LS&CO. has and is determined to maintain a world-wide reputation for ethical business conduct. To that end, LS&CO. adopted a Code of Ethics and Global Sourcing and Operating Guidelines ("GSOG") setting forth standards of conduct it requires from, among others, its licensees, including Licensee. Licensee acknowledges that its conduct, and the conduct of any subcontractor, must reflect positively on LS&CO.'s reputation and accordingly agrees to the provisions of this Section 10.

10.2 Code of Ethics. Licensee represents and warrants that Licensee and its key officers and managers have read and understand LS&CO.'s Code of Ethics, a copy of which is attached to this Agreement as Exhibit G, and agrees that Licensee shall, and shall cause its subcontractors to, abide by the provisions thereof (as amended from time to time by LS&CO.) in conducting all aspects of its operations under this Agreement.

10.3 Global Sourcing and Operating Guidelines. Licensee represents and warrants that its key officers and managers have read and understand the GSOG attached to this Agreement as Exhibit H, and agrees that Licensee shall, and shall cause its permitted sub-contractors to, comply with the requirements of the GSOG at all times.

10.4 Effect on Compliance with Laws. Licensee shall be fully responsible for compliance with all local laws and regulations applicable to Licensee's operations. If the requirements of the Code of Ethics or of the GSOG are stricter than the requirements of applicable law, the requirements of the Code of Ethics and the GSOG shall control.

10.5 Effect of Breach. This Section 10 is of the essence of this Agreement. Any failure by Licensee or any of its subcontractors to comply with the Code of Ethics or any failure by Licensee or any of its subcontractors to comply with the GSOG shall be grounds for declaration of an Event of Default by LS&CO. under Section 13.

11. Intellectual Property Matters

11.1 Permitted Use. The license granted under this Agreement applies only to the use of the Trademarks by Licensee in connection with the manufacture, advertising, distribution and sale of Products to retailers approved under Section 8. Licensee is not authorized to use any other trademark of LS&CO. or any of its affiliates or to use any Trademarks in connection with the manufacture and sale of any other products, the sale of Products to any person or entity other than a retailer approved under Section 8 or for any purpose other than as expressly provided in this Agreement.

11.2 Reservation of Rights. LS&CO. owns the Trademarks and any related registrations or applications. Except as specifically provided in this Agreement, LS&CO. reserves all right, title and interest in and to the Trademarks for its own use or for the use of any other licensee, whether within or outside the Territory, in connection with any and all products and services. By way of example and not of limitation, Licensee understands and agrees that: (i) LS&CO. may manufacture, or authorize third parties to manufacture, in the Territory, Products for ultimate sale outside the Territory; and (ii) LS&CO. may grant licenses to others in the Territory in connection with items of the type described in Exhibit B except for Products bearing the Trademarks manufactured and sold to Approved Retailers.

11.3 No Sublicense. Licensee shall not grant to any third party any right, permission, license or sublicense with respect to any of the rights granted under this Agreement. Licensee may enter into a sublicense agreement or purchase order arrangement with a third party with whom Licensee contracts for the manufacture of Products, provided that that sublicense or purchase order limits use of the Trademarks to only those uses as may be necessary for the manufacture of Products for Licensee under this Agreement. Use of contractors shall in no way limit or otherwise affect Licensee's obligations under this Agreement; Licensee shall be responsible for all contractors and shall take all steps necessary to ensure that contractors maintain the level of quality required under this Agreement and otherwise comply with this Agreement. Licensee shall ensure that all sundry items and other materials bearing the Trademarks used by Licensee or any contractor are used only for purposes of manufacture of Products, that Licensee and any contractors take appropriate steps to prevent the loss, duplication or improper use of these sundries and materials and that Licensee or any contractor not use these sundries and materials in making products for Licensee other than the Products or for the account of any party other than Licensee.

11.4 Other Uses; No Derivatives. Licensee shall not use any Trademarks in such a way so as to give the impression that the names "Levi Strauss & Co." or " Dockers", "Dockers Recode," or such Trademarks, or any combination, form or derivative of a Trademark, is the property of Licensee. Neither the Products nor any labeling or packaging shall bear any of Licensee's marks or other identifiers except for the Trademarks or except as required by law. Licensee shall not use the reputation and goodwill of the Trademarks or LS&CO. in connection with or otherwise to influence the sales or distribution of any other brand it manufactures or sells. Licensee may use the Trademarks on stationary and business cards provided that such material clearly indicates that Licensee is a licensee of LS&CO. (for example, by including the legend "Authorized Levi Strauss & Co. Licensee" on the material) and does not give the impression that Licensee and LS&CO. are otherwise related. The material shall be subject to LS&CO.'s approval and shall be modified by Licensee pursuant to LS&CO.'s instructions.

11.5 No Use for Publicity. Unless expressly requested by LS&CO., Licensee shall not manufacture, sell or distribute Products for use for publicity purposes (other than publicity of Products), in combination sales, as premiums or giveaways, or to be disposed of through similar methods of merchandising. LS&CO. reserves the right to authorize the manufacture and sale of Products as part of a combination sale, premium or giveaway with products (other than Products) bearing the LS&CO. name or LS&CO. trademarks. These Products, however, shall not: (i) be substantially similar to Products distributed by the Licensee or (ii) unreasonably interfere with Licensee's distribution of Products. If LS&CO. desires to authorize the manufacture of Products for these purposes, LS&CO. shall provide Licensee notice and a first right of negotiation for the manufacturing work. If LS&CO. and Licensee fail to reach a mutually acceptable agreement within ten (10) days after such notice is given, LS&CO. may negotiate and enter into an agreement with a third party for the manufacture of those Products.

11.6 Rights to Trademarks. Licensee acknowledges and agrees that its use of the Trademarks shall at all times be in its capacity as a licensee of LS&CO., for the account and benefit of LS&CO. Uses of the Trademarks shall not vest in Licensee any title to the Trademarks or right or presumptive right to continue use except as provided in this Agreement. For purposes of trademark registrations, sales by Licensee or LS&CO. shall be considered to have been made by LS&CO. Licensee shall not, during the term of this Agreement or after its expiration or termination: (i) attack or question LS&CO.'s title or rights in and to the Trademarks in any jurisdiction, or attack or question the validity of this license or of the Trademarks, or (ii) contest the fact that Licensee's rights under this Agreement (x) are solely those of a licensee entitled to produce and sell products under contract and (y) terminate upon termination or expiration of this Agreement. Licensee acknowledges that only LS&CO. may file and prosecute a trademark application or applications to register any of the Trademarks, and that registration decisions may be made by LS&CO. in its sole discretion.

11.7 Standards. Licensee shall maintain the high standards of the Trademarks in all marketing, packaging and promotion of the Products. LS&CO. may issue uniform rules and regulations relating to the manner of use of the Trademarks. Licensee shall comply with these rules and regulations. Licensee shall take all appropriate actions, and all actions reasonably requested by LS&CO., to prevent improper use of the Trademarks, in advertising, POS presentations or otherwise by Approved Retailers and any others who come into possession of the Products, and by subcontractors, vendors and any other entities or persons engaged by Licensee in connection with this Agreement.

11.8 Counterfeiting. Licensee shall, at its own expense, take such anti-counterfeiting measures as requested by LS&CO. from time to time and use reasonable efforts to secure and protect from counterfeiting labels, sundries and other materials used in connection with manufacturing, packaging and marketing of the Products.

11.9 Design Ownership and Assignment. LS&CO. shall own, and Licensee assigns to LS&CO., all copyright, patent, trade secret, know-how right, and all other right, title and interest in and to, all artwork, sketches, color cards, physical depictions of color stories, logos, labels, Samples and other materials depicting designs or Products, whether created or furnished by Licensee or by LS&CO., including any modifications or improvements created by Licensee or

LS&CO. which are designed or intended for use with the Products and trademarks. LS&CO. shall also own all right, title and interest to designs or design elements that the parties agree in writing are to be exclusive to the Products. All patent and copyright registrations in respect of designs and artwork, sketches, logos, labels, Samples and other materials depicting the designs, whether created or furnished by Licensee or LS&CO., shall only be applied for by LS&CO., at LS&CO.'s discretion and expense, with the applications designating LS&CO. as the patent or copyright owner, as the case may be. LS&CO. may use these designs and other materials in any manner it desires, so long as the use does not conflict with rights granted to Licensee under this Agreement, including, without limitation, for products in jurisdictions outside the Territory and on products other than Products in any jurisdiction. Licensee shall cause to be placed on all Products and packaging, when necessary, appropriate notices (reviewed and approved in advance by LS&CO.) designating LS&CO. as the trademark, copyright or design patent owner, as the case may be.

11.10 Design License. LS&CO. grants to Licensee the exclusive right, license and privilege to use the intellectual property owned by LS&CO. under this Agreement and all related copyrights and design patents, if any, solely in connection with Products sold to Approved Retailers in the Territory. LS&CO. shall execute and deliver to Licensee all documents and instruments necessary to document that license. Licensee shall have no right to use the licensed designs under any other trademark or label or for any other product without first obtaining the prior approval of LS&CO., including, without limitation, any unique, signature design element or technical feature for the Products. Notwithstanding the foregoing, nothing in this Agreement shall prevent use by Licensee, during the term of this Agreement or after its termination or expiration, of designs, design elements, technical features or styles that, prior to their use in Products, Licensee has used in any of its other lines of footwear or that are commonly used by other designers and manufacturers of footwear.

11.11 Infringement. Licensee shall promptly notify LS&CO. in writing of any use it learns of which may be infringements or imitations by others of the Trademarks on articles similar to Products, and of any uses which may be infringements or imitations by others of the related designs, design patents and copyrights. LS&CO. shall have the sole right to determine whether or not any action shall be taken on account of infringements or imitations. Licensee shall not institute any suit or take any action unless LS&CO. in its sole discretion authorizes Licensee to do so. Licensee shall not attempt to register any infringing or confusingly similar trademark or corporate name, and shall use reasonable efforts to ensure that no third party infringes or registers confusingly similar trademarks or the LS&CO. corporate name. Licensee shall take all appropriate actions, and all actions reasonably requested by LS&CO., to prevent or avoid any misuse of the Trademarks or licensed designs by any of its customers, contractors, sublicensees, suppliers or other resources.

11.12 Cooperation. Licensee shall, at LS&CO.'s expense (provided that LS&CO. shall not be responsible for the cost of the time and effort expended by Licensee's officers and employees in connection with furnishing such assistance), assist and cooperate with LS&CO. in securing and preserving LS&CO.'s rights in and to the Trademarks and in and to the designs, design patents or copyrights described in Section 11.9. LS&CO. may commence or prosecute any claims or suits in its own name and may join Licensee as a party in these proceedings.

12. Diligence; Other Relationships

12.1 Diligence. Licensee shall use its best efforts to exploit throughout the Territory the license granted and to maintain the established prestige and goodwill of the Trademarks and the reputation, standards and image of LS&CO. Licensee shall maintain adequate design, sourcing, marketing, sales and customer service resources, inventories and distribution facilities for Products to ensure exploitation of the license and timely and complete performance of its obligations under this Agreement.

12.2 Other Licenses. Licensee is a party to, or presently plans to become a party to, certain licenses, sublicenses or similar arrangements giving Licensee the right to manufacture or sell products of the type described in Exhibit B. Those arrangements are described on Exhibit I. During the term of this Agreement, Licensee shall not, except as approved by LS&CO. in its sole discretion, become a party to any additional license, sublicense or similar agreement giving Licensee the right to manufacture or sell, and shall not manufacture or sell, any product of the type described in Exhibit B bearing trademarks of or otherwise on behalf of Haggar, Savane, CK, Tommy Hilfiger, Liz Claiborne, and Perry Ellis. In addition, if Licensee intends to enter into any license or sublicense agreement giving Licensee the right to manufacture and sell any product of the type described in Exhibit B for any other entity or person and the product, in the reasonable judgment of Licensee, would compete in the marketplace with the Products, Licensee shall, if not prevented by a confidentiality agreement with the prospective licensor, notify LS&CO. in writing of its intention as soon as practicable, but in no event less than thirty (30) days prior to Licensee executing or entering into that license or sublicense agreement. Licensee shall upon LS&CO.'s request discuss the proposed arrangement with LS&CO.

13. Default; Termination

13.1 Event of Default. Each of the following shall constitute an event of default ("Event of Default"):

(a) Licensee fails to make any payment of royalties (including Guaranteed Minimum Royalties) or other amounts to LS&CO. when due;

(b) Licensee files a petition in bankruptcy, is adjudicated of bankruptcy or files a petition or otherwise seeks relief under any bankruptcy, insolvency or reorganization statute or proceeding, or a petition in bankruptcy is filed against it and is not dismissed within sixty (60) days, or it becomes insolvent or makes an assignment for the benefit of its creditors or a custodian, receiver or trustee is appointed for it or a substantial portion of its business or assets or admits in writing its inability to pay its debts as they become due;

(c) Licensee, after achieving distribution and sale of Products throughout the Territory, fails for a period of at least two (2) months to continue the bona fide distribution and sale of Products;

(d) Licensee sells Products to any entity or person other than an Approved Retailer or other than as provided in Section 8.9;

(e) Licensee's second quality and closeout or end of season sales are greater than 20% of total Product sales (measured in units) during any Annual Period;

(f) Licensee fails in any Annual Period to achieve enough sales to generate earned royalties under Section 3.2 equal to or exceeding the Guaranteed Minimum Royalty specified in Section 3.1 for that Annual Period;

(g) Licensee uses the Trademarks in a manner not authorized under this Agreement or uses any other trademarks of LS&CO. on Products or otherwise;

(h) Licensee sells any Product Designs and Samples for which were not approved by LS&CO. as provided by Sections 5 and 6 or the approval for which was withdrawn as provided in Sections 6.2 or 6.3;

(i) Licensee commits any breach of its obligations in respect of Confidential Information as specified in Section 17;

(j) Licensee sells Products not meeting product quality standards as contemplated by Section 6;

(k) Licensee or any of its subcontractors commits any breach of its obligations under Section 10;

(l) Licensee assigns or attempts to assign this Agreement (including any deemed assignment resulting from a Change of Control as contemplated by Section 18) in breach of its obligations under Section 18;

(m) any representation or warranty made by Licensee in this Agreement is false in any material respect; or

(n) Licensee commits a material breach of any of its other obligations under this Agreement.

13.2 Effectiveness and Cure. If any Event of Default specified in Sections (b), (e), (f), (g), (h) or (i) occurs, then LS&CO. may immediately terminate this Agreement, with that termination effective upon delivery of notice to Licensee. If any other Event of Default occurs, or if LS&CO. decides not to terminate immediately the Agreement in respect of an Event of Default specified in Sections 13.1 (b), (e), (f), (g), (h) or (i) then Licensee, upon written notice from LS&CO. to Licensee describing the circumstances giving rise to that Event of Default, shall promptly and at its expense cure the Event of Default as though it never occurred. If Licensee fails to cure such Event of Default within that thirty (30) day period, then LS&CO. may terminate this Agreement upon delivery to Licensee of a written notice to that effect, with that termination effective upon delivery of notice to Licensee. It is understood and agreed that

Licensee shall not have a right to cure if there occurs a second Event of Default under the same subsection of Section 13.1 within two (2) years of a prior Event of Default that did not, because of cure or otherwise, result in termination of this Agreement.

14. Consequences of Termination

14.1 Option to Purchase. Licensee shall give LS&CO., no later than ten (10) days following the termination of this Agreement (including by reason of expiration), a listing of all Products on hand or in process. LS&CO. may conduct a physical review of all finished and unfinished Products and roll goods, labels, raw materials, sundries, embellishments, packaging, transparencies, films and echtachromes that are used in connection with the manufacture and packaging of the Products, artwork and negatives or transparencies previously used or to be used in connection with the designs for the upcoming season and prototypes and samples of the Products (collectively, the "Termination Inventory"). LS&CO. or its designee shall have the option (but not the obligation) in its sole discretion to purchase from Licensee either or both of: (i) all or a portion of the finished Products and Samples and (ii) all or a portion of the other Termination Inventory. If LS&CO. wishes to make a purchase, LS&CO. shall notify Licensee of its or its designee's intention to exercise the option within thirty (30) days of delivery after receipt of the Termination Inventory listing. LS&CO. shall pay Licensee for any finished Products and Samples at a price equal to actual manufacturing cost for those Products and Samples. LS&CO. shall pay an amount equal to Licensee's book value for any remaining items other than labeling and packaging materials bearing the Trademarks, which Licensee will turn over to LS&CO. without payment by LS&CO. Licensee shall at its expense deliver the purchased items to LS&CO. within fifteen (15) days after receipt of LS&CO.'s exercise notice, with LS&CO. to pay the purchase price to Licensee within ten (10) days after delivery of the purchased items. LS&CO. shall be entitled to deduct from the purchase price any amounts owed it by Licensee.

14.2 Disposal of Termination Inventory. If LS&CO. chooses not to purchase all of the Products included in the Termination Inventory, then Licensee, for a period of one hundred twenty (120) days after expiration or exercise of LS&CO.'s option, may dispose of Products which are on hand or in the process of being manufactured at the time of termination, to persons approved to purchase Products under Section 8 and otherwise in accordance with this Agreement. If, however, LS&CO. notifies Licensee that LS&CO. or a new licensee is selling Products during that ninety (90) day period, or if the termination is by reason of an Event of Default described in Section 13.1 (h) or (j), then Licensee shall dispose of Products only to those Approved Retailers approved under Section 8.3. Licensee shall pay earned royalties on such sales as provided in Section 3. Licensee shall have no right to so dispose of Products unless it has complied with the provisions of this Section 14. Notwithstanding the foregoing, if the parties have mutually agreed to terminate this Agreement and no breach has occurred, Licensee shall have a period of one hundred eighty (180) days to dispose of inventory pursuant to this section.

14.3 Termination of Licenses. Upon termination of this Agreement, all rights granted to Licensee under this Agreement, including, without limitation, all license rights under Section 11.10 with respect to artworks, sketches and other materials, together with rights to use the Trademarks, shall automatically and without consideration or further action terminate and revert to LS&CO. Licensee shall, except as required in connection with disposal of Products included in the Termination Inventory as provided in Section 14.2: (i) stop and refrain from all use of the Trademarks or any marks specified by LS&CO. in its sole discretion as being similar to the Trademarks; (ii) stop and refrain from further use of any of the artwork, sketches and other material covered by Section 11.9 and the Product designs, which the parties have agreed will be used exclusively for Products; and (iii) dispose of all sundries, labels, packaging and other materials bearing the Trademarks in a manner approved by LS&CO.

14.4 Payment of Guaranteed Minimum Royalty. Licensee shall, no later than thirty (30) days after the effective date of the termination, pay LS&CO. any remaining installments of the entire Guaranteed Minimum Royalty for the Annual Period in which LS&CO. gave notice of the termination.

14.5 Certain Events. No assignee for the benefit of creditors, custodian, receiver, trustee in bankruptcy, sheriff or any other officer of the court or official charged with responsibility for taking custody of Licensee's assets or business may continue this Agreement or exploit or use any of the Trademarks following the termination of this Agreement. Notwithstanding the provisions of Sections 13 and 18, if, under the bankruptcy code or successor similar law, a trustee in bankruptcy of Licensee, or Licensee, as debtor, is permitted to assume this Agreement and does so and, thereafter, desires to assign this Agreement to a third party in accordance with the bankruptcy code, the trustee or Licensee, as the case may be (in either case, the "Debtor"), shall notify Licensor. The notice shall set out the name and address of the proposed assignee, the proposed consideration for the assignment and all other relevant data about the proposed assignment. The giving of this notice shall constitute the grant to LS&CO. of an option to have this Agreement assigned to LS&CO. or to LS&CO.'s designee for the consideration, or its equivalent in money, and upon the terms specified in the notice. The option may be exercised only by notice given by LS&CO. to the Debtor no later than thirty (30) days after LS&CO.'s receipt of the notice from the Debtor unless a shorter period is deemed appropriate by the court in the bankruptcy proceeding. If LS&CO. does not exercise its option in a timely manner, then the Debtor may complete the assignment, but only if the assignment is to the entity named in the notice and for the consideration and upon the terms specified in the notice. Nothing in this Section 14.5 is intended to impair any rights which LS&CO. may have as a creditor in the bankruptcy proceeding.

14.6 Transition Cooperation; Other Licenses. Licensee shall cooperate with LS&CO. during the transition period following a termination of this Agreement, including, for example, signing any documents reasonably requested by LS&CO. to accomplish or confirm the outcomes (for example, reversions or assignments of license or other intellectual property rights) contemplated by Section 14. The right of Licensee to sell items of Termination Inventory is non-exclusive and shall not limit LS&CO.'s rights to sell such items of Termination Inventory or to enter into other licenses or transactions.

14.7 Remedies; Other Licenses: No Other Obligations

(a) Notwithstanding any other provision of this Agreement (including, without limitation, Section 13), LS&CO. shall have all the rights and remedies which it may have, at law or in equity, with respect to the termination of this Agreement, the collection of royalties or other amounts payable by Licensee under this Agreement, the enforcement of all rights relating to the establishment, maintenance or protection of the Trademarks and the designs created or used under this Agreement or in respect of damages or equitable relief in connection with breach of this Agreement by Licensee, it being understood that termination under Section 13 shall not be considered an exclusive remedy or in any way limit LS&CO. from enforcing other rights or remedies, and that all decisions under Section 13 by LS&CO. may be made by LS&CO. in its sole discretion.

(b) Licensee shall under no circumstance be entitled, directly or indirectly, to any form of compensation or indemnity from LS&CO. as a consequence of the termination or expiration of this Agreement for any reason, including, without limitation, the circumstances contemplated by Section 13. Licensee waives any claims it may have against LS&CO. arising from any alleged goodwill created by Licensee for the benefit of Licensee or LS&CO. or from the alleged creation or increase of a market for Products or other items bearing the Trademarks.

(c) Notwithstanding anything to the contrary in this Agreement, LS&CO. shall have the right, exercisable at any time, to negotiate and enter into agreements with third parties under which it may grant a license to use the Trademarks in connection with the manufacture, distribution and sale of Products in the Territory, or to enter into whatever other transactions it desires for the use of the Trademarks on Products without any obligation of any kind to Licensee, if under such agreement the products will be sold after the date of expiration or termination of the Agreement. Nothing in this Agreement shall be construed to prevent any such third party licensee from showing these products and accepting orders prior to the termination or expiration of this Agreement.

(d) It is understood and agreed that: (i) neither Licensee nor LS&CO. shall be, as a result of entry into or performance under this Agreement obligated to renew or extend this Agreement (other than as provided by Section 2.2) or business relationship in any respect, or to negotiate any such renewal or extension, or, on the part of LS&CO., to offer a "first right of negotiation" or "right of refusal" for a renewed or new license; (ii) subject to Section 12.2, Licensee shall be free to engage in negotiations and to enter into agreements with other licensors or otherwise committing Product-devoted resources, to commence upon expiration of this Agreement; and (iii) neither Licensee nor LS&CO. shall have any right to compensatory, consequential, lost profits, punitive or other damages of any other nature, or to obtain an injunction, specific performance or other equitable remedy, whether to prevent LS&CO. or Licensee, as the case may be, from entering into another agreement or otherwise, should LS&CO. or Licensee, as the case may be, (a) decline to negotiate or enter into a renewal or extension of this agreement (other than as provided by Section 2.2) or (b) enter into a new agreement with a third party.

15. Indemnity

15.1 LS&CO. Indemnity. Except for matters as to which Licensee is required to indemnify LS&CO. under Section 15.2, LS&CO. shall indemnify and hold harmless Licensee and its affiliates, directors, officers, employees and agents against any and all liability, claims, causes of action, suits, damages and expenses (including reasonable attorneys' fees and expenses in disputes or proceedings involving third parties or between LS&CO. and Licensee) which Licensee is or becomes liable for, or may incur solely by reason of its use within the Territory, in accordance with the terms and conditions of this Agreement, of the Trademarks or the designs furnished to Licensee by LS&CO., to the extent that such liability arises through infringement of another's trademark rights (collectively, an "LS&CO. Indemnified Claim"). If any LS&CO. Indemnified Claim shall be brought or asserted against Licensee in respect of which indemnity may be sought from LS&CO. under this Section 15.1, Licensee shall notify LS&CO. in writing not later than the earlier of ten (10) days before a response is due or thirty (30) days after Licensee receives notice of the LS&CO. Indemnified Claim, and LS&CO. shall assume and direct the defense thereof. A failure or delay by Licensee in giving this notice shall not reduce or otherwise affect LS&CO.'s indemnification obligations except to the extent that the failure or delay shall have materially prejudiced LS&CO.'s ability to defend or settle the Indemnified Claim. Licensee may, at its own expense, be represented by its own counsel in such action or proceeding.

15.2 Licensee Indemnity. Except for matters as to which LS&CO. is required to indemnify Licensee under Section 15.1, Licensee shall defend, indemnify and save and hold harmless LS&CO. and its affiliates, directors, officers, employees and agents against any and all liability, claims, causes of action, suits, damages and expenses (including reasonable attorneys fees and expenses in disputes or proceedings involving third parties or between LS&CO. and Licensee), which LS&CO. is, or becomes liable for, or may incur, or be compelled to pay by reason of any acts, whether of omission or commission, that may be committed or suffered by Licensee or any of its servants, agents or employees in connection with Licensee's performance of this Agreement, including without limitation, Licensee's use of Licensee's own designs, advertising and promotional material used by Licensee, manufacture, sale and consumer use of Products or otherwise in connection with Licensee's business, whether that claim based on laws relating to product liability, consumer protection, environmental protection, tort, contract, trademark, patent, copyright, trade secret, tax, employment, advertising, customs or any other law or basis (collectively, a "Licensee Indemnified Claim"). If any Licensee Indemnified Claim shall be brought or asserted against LS&CO. in respect of which indemnity may be sought from Licensee under this Section 15.2, LS&CO. shall notify Licensee in writing not later than the earlier of ten (10) days before a response is due or thirty (30) days after LS&CO. receives notice of the Licensee Indemnified Claim. A failure or delay by LS&CO. in giving this notice shall not reduce or otherwise affect Licensee's indemnification obligations, except to the extent that the failure or delay shall have materially prejudiced Licensee's ability to defend or settle the claim. LS&CO. may, at its own expense, be represented by its own counsel in such action or proceeding.

16. Insurance

16.1 Required Coverage. Licensee shall maintain, at its sole expense, the following insurance coverage, with a financially sound insurance company having an A.M. Best Rating of A or better, throughout the term of this Agreement and for a period of three (3) years after its expiration or termination: (i) worker's compensation, occupational disease, employer's liability (with limits of not less than $1 million for bodily injury by accident for each accident, $1 million for bodily injury by disease for each employee and a $1 million policy limit for bodily injury by disease), disability benefit and other similar insurance required under the laws of the state that apply to the activities to be performed by Licensee under this Agreement; (ii) commercial general liability insurance including products liability, blanket contractual liability, personal injury and advertising liability coverage with a combined single limit of $1 million per occurrence for bodily injury, including death and property damage; (iii) comprehensive automotive liability insurance for both owned and non-owned vehicles used by Licensee either on or away from premises with a combined single limit of $1 million per occurrence for bodily injury, including death and property damage; and (iv) umbrella excess liability insurance, with a combined single limit of $2 million per occurrence for bodily injury, including death and property damage.

16.2 LS&CO. as Additional Insured. Licensee shall ensure that LS&CO., and its directors, officers, employees, agents and assigns, shall be named as additional insureds with respect to the insurance described in clause (ii) through (iv) of Section 16.1. Licensee shall, within ten (10) days after execution of this Agreement, deliver to LS&CO. a certificate of such insurance from the insurance carriers, describing the scope of coverage and the limits of liability, naming the additional insureds required by this Section 16 and providing that the policy may not be canceled or amended without at least thirty (30) days prior written notice to LS&CO.

17. Confidential Information

17.1 Confidential Information. Except as otherwise provided in this Agreement, all information disclosed by one of the parties (the "Discloser") to the other party (the "Recipient") is considered confidential and: (i) shall remain the exclusive property of the Discloser; (ii) shall be used by the Recipient only in connection with its performance under this Agreement; and (iii) shall be maintained in confidence by Recipient as described in this Section 17. "Confidential Information" means any formula, pattern, program, method, marketing programs, profitability, corporate strategy, technique, process, design, sketch, color card, color story, artwork, material, business plan, customer or personnel list, or financial statement. Confidential Information shall include, without limitation, information disclosed in connection with this Agreement, but shall not include information that: (i) is now or subsequently becomes generally available to the public through no wrongful act or omission of Recipient; (ii) Recipient can demonstrate to have had rightfully in its possession prior to disclosure to Recipient by Discloser; (iii) is independently developed by Recipient without use, directly or indirectly, of any Confidential Information; or (iv) Recipient rightfully obtains from a third party who has the right to transfer or disclose it.

17.2 Limits on Use and Disclosure. Except as contemplated by this Agreement or as specifically authorized by Discloser in writing, and except as required by law, Recipient shall not reproduce, use, distribute, disclose or otherwise disseminate Confidential Information. Upon expiration or termination of this Agreement or upon request by Discloser, Recipient shall promptly deliver to Discloser all Confidential Information (including copies) then in its custody, control or possession, and shall deliver within five (5) days after such termination or request a written statement to Discloser certifying compliance with this Section 17.2.

17.3 Access. Licensee and LS&CO. shall use reasonable efforts to ensure that access to Confidential Information is limited to those employees or other authorized representatives of Recipient who need to know such Confidential Information in connection with their work related to this Agreement. Recipient shall use reasonable efforts to inform such employees or authorized representatives of the confidential nature of Confidential Information.

17.4 Confidentiality of Agreement. Except as may be required under applicable securities law and stock exchange regulations, Licensee shall not issue any press release or other public announcements relating to this Agreement in any respect or to the business relationship between LS&CO. and Licensee without first obtaining the approval of LS&CO.

18. Assignment: Change of Control of Licensee

18.1 Licensor Assignment. Nothing in this Agreement limits LS&CO.'s ability to sell or otherwise transfer the Trademarks to a third party or to engage in any merger, consolidation, sale of assets, reorganization, sale of stock or other transaction. LS&CO. may assign its rights and delegate its duties under this Agreement as it sees fit, including, without limitation, in connection with such a transaction.

18.2 Licensee Assignment. The rights granted to Licensee are personal in nature. Licensee may not assign this Agreement or any rights granted under this Agreement, or delegate any of its obligations under this Agreement, without first obtaining the approval of LS&CO. Any such assignment without the prior approval of LS&CO. shall be null and void and of no force or effect. Any "Change of Control" (as defined in this Section 18.2) of Licensee shall be considered an assignment of this Agreement by Licensee. "Change of Control" means: (i) any consolidation or merger of Licensee in which Licensee is not the continuing or surviving corporation or after which the shareholders of Licensee or the date hereof cease to hold at least 50% or more of the combined voting power of Licensee, (ii) any sale of all or substantially all the assets of Licensee to any person, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934)(the "Exchange Act") other than a then existing shareholder or group of shareholders of Licensee owning 75% or more of the combined voting power of Licensee's then outstanding securities or (iii) any person, as that term is used in Sections 13(d) and 14(d)(2) of the Exchange Act becomes or is discovered to be a beneficial owner (as defined in Rule 13d-3 under the Exchange Act as in effect on the date of this Agreement) directly or indirectly of securities of Licensee representing 50% or more of the combined voting power of Licensee's then outstanding securities on a fully converted, fully diluted basis (unless that person is already a beneficial owner on the date of this Agreement). Licensee shall notify LS&CO. of any Change in Control within three (3) days after its occurrence. If the prior approval of LS&CO. is not obtained with respect to any Change of Control of Licensee, LS&CO. shall be entitled, in its sole discretion, to terminate this Agreement at any time during the ninety (90) day period after the date upon which LS&CO. receives from Licensee notice of the Change in Control or otherwise learns of the Change in Control.

19. Approvals

This Agreement contains a number of provisions in which Licensee must obtain LS&CO.'s approval of a particular item or matter. All requests for these approvals must be made in writing by Licensee. Unless otherwise expressly stated in the relevant provision, approval procedures shall be as described in this Section 19. All approvals or disapprovals may be made by LS&CO. in its sole discretion and must be communicated by LS&CO. in writing. If LS&CO. fails to affirmatively approve or disapprove of an item or matter within ten (10) business days after submittal to LS&CO., then Licensee shall contact LS&CO. and confirm LS&CO. receipt. Any request for which approval is not given by LS&CO. within fifteen (15) business days after confirmed receipt shall be considered approved. LS&CO. shall have no obligation to review items or matters the submission of which did not comply with this submission procedure. It is understood and agreed that LS&CO.'s approval decisions under Sections 4, 5, 6 and 8 of this Agreement may be based solely upon LS&CO.'s subjective standards as to aesthetics and image based upon its requirements for and the reputation and prestige of products bearing the Trademarks, retail distribution of products bearing the Trademarks and its commercial judgment generally. It is understood that Product quality, style of packaging, shipping, customer service, promotion, selling tools, creation and introduction of new products and service and presentation at retail all may bear upon "image" as contemplated by this Section 19.

20. Dispute Resolution

20.1 Definitional Disputes. Licensee recognizes that LS&CO. has granted, and may in the future grant, licenses to other parties to use the Trademarks or one or more of LS&CO.'s other trademarks in connection with the manufacture, promotion and sale of apparel, accessories or other items. If Licensee or the licensee under any other such license notifies LS&CO. of what it believes is an existing or potential conflict in the definition of merchandise covered by, or the rights of the licensee under, their respective license agreements, LS&CO. shall consider and resolve the issue by giving each of the affected parties a written notice of its decision. LS&CO.'s decision shall be final and binding upon Licensee. In addition, Licensee acknowledges that due to the nature of the marketplace, the definition of Products may change over time or may not be amenable to precise delineation, whether or not there exists a potentially conflicting second license. Licensee agrees that if there is a dispute with LS&CO. regarding the definition of Products, LS&CO. shall have authority to resolve the dispute in its sole discretion; that decision shall be final and binding upon Licensee.

20.2 Mediation. If there is any controversy, dispute or claim arising out of or relating to interpretation or breach of this Agreement (except controversies, disputes or claims relating to or affecting in any way the ownership of or the validity of the Trademarks or any related registration or application for registration, or fraud by either party), then Licensee and LS&CO. promptly shall try to settle it. If the dispute cannot be resolved, Licensee and LS&CO. promptly shall initiate and participate in mediation of the dispute, with a mediator to be selected jointly by Licensee and LS&CO., or, if they cannot agree upon a mediator, by the Regional Vice President of the San Francisco-based division of the American Arbitration Association ("AAA-SF") or his or her designee. If the dispute is not resolved within five (5) days after completion of mediation, then Licensee and LS&CO. promptly shall submit it to binding arbitration as provided in Section 20.3.

20.3 Agreement to Arbitrate. The arbitration shall be conducted in San Francisco or other location mutually chosen by Licensee and LS&CO. in accordance with the then existing Rules of Commercial Arbitration of the American Arbitration Association ("AAA"). There shall be a single arbitrator, who shall be selected in accordance with the procedures of the AAA. He or she shall be a retired or former judge of any federal court appointed under Article III of the United States Constitution who presided in a court located in the state in which the arbitration is conducted, or a retired or former judge of a trial court of general jurisdiction or a higher court of the state in which the arbitration is conducted. Judgment upon any award rendered by the arbitrator may be entered by any State or Federal court having jurisdiction. Any controversy concerning whether a dispute is an arbitrable dispute shall be determined by the arbitrator. Licensee and LS&CO. intend that this agreement to arbitrate be valid, specifically enforceable and irrevocable. The designation of a site or a governing law for this Agreement or the arbitration shall not be deemed an election to preclude application of the Federal Arbitration Act, if it would be applicable. The decision of the arbitrator shall be binding and shall not be subject to judicial review.

20.4 Injunctive Relief; Other Actions. Notwithstanding the other provisions of this Section 20, both Licensee and LS&CO. may request a court of competent jurisdiction to grant provisional injunctive relief solely for the purpose of maintaining the status quo until an arbitrator can render an award on the matter in question and the award can be confirmed by a court having jurisdiction. It is understood and agreed that LS&CO. may seek injunctive relief in matters involving use of the Trademarks or other trademarks of LS&CO. or disclosure of confidential information. It is further understood and agreed that nothing in Sections 20.1, 20.2, 20.3 or 20.4 shall in any way limit LS&CO.'s rights under Sections 13 and 14 to terminate the Agreement upon the occurrence of an Event of Default.

20.5 Expenses. The arbitrator shall award to the prevailing party in any arbitration, and the court shall include in its judgment, if any, for the prevailing party in any claim arising under this Agreement, the prevailing party's costs and expenses (including, without limitation, expert witness expenses and reasonable attorneys' fees and expenses for mediation) of investigating, preparing and presenting such claim or cause of action. LS&CO. and Licensee shall each bear their own expenses incurred in a mediation that does not result in arbitration.

21. Brokers

Each of LS&CO. and Licensee represents and warrants to the other that it has not employed or dealt with any broker or finder in connection with this Agreement or the transactions contemplated by this Agreement. Each of LS&CO. and Licensee agrees to indemnify the other and hold it harmless from any and all liabilities (including, without limitation, reasonable attorneys' fees and disbursements paid or incurred in connection with those liabilities) for any brokerage commissions or finders' fees in connection with this Agreement or the transactions contemplated by this Agreement, insofar as those liabilities shall be based on any arrangements or agreements made by, or purported or alleged to be made by, it or on its behalf.

22. Taxes

Licensee shall pay, at the time and in the manner provided for in any applicable legislation, all income or other taxes of whatever nature, together with any related liabilities including interest and penalties imposed by the United States or by a state or municipal government or by any taxation authority thereof, payable on or in respect of its manufacture, sale or distribution of Products or otherwise in connection with exercise of its rights and performance of its obligations under this Agreement. Unless otherwise specifically provided in this Agreement, Licensee shall promptly pay all taxes (whether income, documentary, sales, stamp, registration, issue, capital, property, excise or otherwise), levies, imposts, duties, fees, charges, deductions, withholding, restrictions or conditions or any penalties, interest or additions thereto or any nature whatsoever imposed, levied, collected, assessed or withheld by and perform all obligations imposed by the United States or by a state or municipal government or any taxation authority thereof in connection with the manufacture, sale or distribution of Products or otherwise in connection with exercise of its rights and performance of its obligations under this Agreement.

23. Representations and Warranties

23.1 By LS&CO. LS&CO. represents and warrants to Licensee that: (i) LS&CO. holds various U.S. registrations for, and/or common law rights in and to, the Trademarks; (ii) LS&CO. has full legal right, power and authority to grant the license described in Section 1, to enter into this Agreement, to perform all of its obligations under this Agreement and to consummate all of the transactions contemplated by this Agreement; (iii) this Agreement has been duly executed and delivered by LS&CO. and constitutes the legal, valid and binding obligation of LS&CO., enforceable against it in accordance with its terms; and (iv) LS&CO. is not a party to, subject to or bound by any agreement, contract, license, indenture, law, regulation or commitment of any kind or any judgment, order, writ, prohibition, injunction or decree of any court or other governmental body that would prevent, or that would be breached or violated by, the execution and delivery of this Agreement or the consummation of the transactions contemplated by this Agreement.

23.2 By Licensee. Licensee represents and warrants to LS&CO. that: (i) Licensee has full legal right, power and authority to enter into this Agreement, to perform all of its obligations under the Agreement and to consummate all of the transactions contemplated by this Agreement; (ii) this Agreement has been duly executed and delivered by Licensee and constitutes the legal, valid and binding obligation of Licensee, enforceable against it in accordance with its terms; (iii) Licensee is not a party to, subject to or bound by any agreement, contract, license, indenture, law, regulation or commitment of any kind or any judgment, order, writ, prohibition, injunction or decree of any court or other governmental body that would prevent, or that would be breached or violated by, the execution and delivery of this Agreement or the consummation of the transactions contemplated by this Agreement; (iv) except as described in Exhibit J, Licensee is not a party to any license, sublicense or similar agreement or arrangement giving Licensee the right to manufacture or sell any product of the type described in Exhibit B

23.3 No Other Representations and Warranties. Licensee and LS&CO. recognize that there are many uncertainties in the business of Licensee contemplated by this Agreement. Licensee and LS&CO. agree and acknowledge that other than those representations expressly made in this Agreement, no representations, warranties, commitments or guarantees of any kind have been made to either party by the other, or by anyone acting on its behalf, including, without limitation, representations concerning the value of the Products or the prospects for the level of their sales or profits. Licensee and LS&CO. each have made its own independent business evaluation in deciding to license Licensee to manufacture and distribute the Products on the terms described in this Agreement.

24. General Provisions

24.1 Notice. All notices, approvals requests, consents and other communications under this Agreement shall be in writing and shall be considered properly given or sent: (i) on the date when the notice, request, consent or communication is personally delivered and acknowledged; or (ii) on the date when sent by confirmed facsimile if a business day or on the first business day following if not; or (iii) five (5) days after transmission by certified or registered mail; or (iv) the first business day after transmission by overnight courier delivery, as follows:

If to LS&CO:

Murrey Nelson
Director of Licensing
Levi Strauss & Co.
1155 Battery Street, R13
San Francisco, CA 94111
Telephone No.: (415) 501-6000
Facsimile No.: (415) 501-1782

With copy to:

Thomas M. Onda
Associate General Counsel/Trademark Licensing
Levi Strauss & Co.
1155 Battery Street
San Francisco, CA 94111
Telephone No.: (415) 501-6000
Facsimile No.: (415) 501-7650

If to Licensee:

Andy Gilbert
Genesco Inc.
Genesco Park
Dockers Footwear
1415 Murfreesboro Road
Nashville, TN 37217
Telephone No.: (615) 367-7800
Facsimile No.: (615) 367-7822

With copy to:

Roger G. Sisson
Secretary and General Counsel
Genesco Inc.
Genesco Park
Dockers Footwear
1415 Murfreesboro Road
Nashville, TN 37217
Telephone No.: (615) 367- 8441
Facsimile No.: (615) 367-7073

These addresses may be changed by delivery of a notice to that effect to the other party.

24.2 Relationship of the Parties. Licensee and LS&CO. are and will remain independent commercial contracting parties; the arrangements contemplated by this Agreement will not create a partnership, joint venture, employment, fiduciary or similar relationship for any purpose. This Agreement is not intended to and does not create any direct relationship between LS&CO. and any employee, contractor, subcontractor or other person in a relationship with Licensee. Neither Licensee nor LS&CO. shall have the power to obligate or bind the other to a third party or commitment in any manner whatsoever, except as expressly provided in Section 15 of this Agreement. LS&CO. shall not be responsible, to Licensee or to any person, in any way for wages, benefits, compensation, taxes or any other liability in respect of persons employed or retained by Licensee in connection with performance of its obligations under this Agreement or otherwise. LS&CO. shall not be responsible, to Licensee, to Licensee's landlord or to any other person, in any way for lease obligations, environmental compliance, personal injuries or otherwise in respect of Showroom, sales office, manufacturing facility, distribution facility or other space used by Licensee in connection with performance of its obligations under this Agreement or otherwise.

24.3 Compliance with Laws. Licensee shall comply with all laws, rules, regulations and requirements of any governmental body which may be applicable to the manufacture, distribution, sale or promotion of Products or otherwise to the performance of its obligations under this Agreement.

24.4 Entire Agreement; Modifications. This Agreement and its exhibits contain the entire agreement between LS&CO. and Licensee, represent the final, complete and exclusive statement of LS&CO. and Licensee and supersede any and all prior or contemporaneous agreements, communications, arrangements or understandings between LS&CO. and Licensee, including, without limitation, any letter of intent. This Agreement may not be explained or supplemented by any course of dealings between LS&CO. and Licensee or by usage or trade and shall not be considered modified by provisions contained in other documents prepared by LS&CO. and Licensee including, without limitation, royalty statements, Sales Plans, retailer approvals and the like. This Agreement may be modified only as stated in and by a writing signed by both LS&CO. and Licensee which refers specifically to this Agreement and states that it is amending this Agreement.

24.5 Remedies. All rights and remedies provided for in this Agreement shall be cumulative and in addition to any other rights or remedies LS&CO. and Licensee may have at law or in equity. LS&CO. and Licensee may employ any of the remedies available to it with respect to any of its rights without prejudice to the use by it in the future of any other remedy. Except as expressly provided in Section 15 of this Agreement, no person, other than LS&CO. and Licensee, shall have any rights under this Agreement, it being understood that the respective affiliates, directors, officers, employees and agents of each of them are direct and intended beneficiaries of indemnification promises as provided in Section 15. Licensee's obligation to pay royalties shall be absolute notwithstanding any claim Licensee may assert against LS&CO. Licensee may not set off, compensate or make any deduction from any royalty payment for any reason whatsoever.

24.6 Submission to Jurisdiction. LS&CO. AND LICENSEE CONSENT TO THE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED WITHIN THE CITY OF SAN FRANCISCO, STATE OF CALIFORNIA, AND IRREVOCABLY AGREE THAT ALL ACTIONS OR PROCEEDINGS RELATING TO THIS AGREEMENT OR ANY RELATED MATTER, OTHER THAN ANY ACTION OR PROCEEDING REQUIRED BY SECTION 20 TO BE SUBMITTED TO MEDIATION AND ARBITRATION, SHALL BE LITIGATED IN THOSE COURTS. LS&CO. AND LICENSEE EACH WAIVE ANY OBJECTION WHICH IT MAY HAVE BASED ON IMPROPER VENUE OR FORUM NON CONVENIENS TO THE CONDUCT OF ANY SUCH ACTION OR PROCEEDING IN ANY SUCH COURT AND WAIVES PERSONAL SERVICE OF ANY AND ALL PROCESS UPON IT, AND CONSENTS TO SERVICE OF PROCESS MADE IN THE MANNER DESCRIBED IN SECTION 24.1 . Nothing contained in this Section 24.6 shall affect the right of either

LS&CO. or Licensee to serve legal process on the other in any other manner permitted by law. Nothing contained in this Section 24.6 shall affect the rights and obligations of LS&CO. and Licensee under Section 13 or in respect of mediation and arbitration of disputes under Section 20.

24.7 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of LS&CO. and Licensee.

24.8 Governing Law. This Agreement is to be governed by and construed in accordance with the laws of the State of California.

24.9 Severability. If any provision of this Agreement is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

24.10 Survival. The following provisions of this Agreement shall survive and remain effective after expiration or termination of this Agreement: 9, 11.1, 11.2, 11.4, 11.5, 11.9, 11.11, 11.12, 14, 15, 16, 17, 20, 21, 22 and 24.

24.11 Headings. The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

24.12 Force Majeure. Neither LS&CO. nor Licensee shall be liable for any failure of or delay in the performance of its obligations under this Agreement for the period that the failure or delay is due to acts of God, public enemy, war, strikes or labor disputes, or any other cause beyond the party's reasonable control, it being understood that lack of financial resources or Year 2000 problems shall not be deemed a cause beyond a party's control. Each of LS&CO. and Licensee shall notify the other promptly of the occurrence of any such cause and carry out the affected performance as promptly as practicable after the cause of the problem is alleviated. It is understood, however, that the occurrence of a force majeure event shall not in any case work an extension of the term of this Agreement.

24.13 Days and Quarters. Unless expressed stated in a particular provisions, references in this Agreement to "days" means calendar, not business, days, and references to "quarters" means calendar quarters.

24.14 Counterparts. This Agreement may be signed in one or more counterparts.

* * * *

IN WITNESS WHEREOF, LS&CO. and Licensee signed this Agreement on the date appearing in the first paragraph of this Agreement.

LEVI STRAUSS & CO.

By: /s/ Jim Lewis

Jim Lewis
Title: President, Levi Strauss, The Americas

GENESCO INC.

By: /s/ Hal N. Pennington

Title: Ex. V.P. & COO

EXHIBIT A

TRADEMARKS

[Dockers Logo]

[Dockers Recode Logo]

EXHIBIT B

PRODUCTS

Footwear shall mean men's shoes and shoe trees, and boy's (youth 12 to boy's 6-1/2), including but not limited to boots, loafers, desert boots, deck shoes, boat shoes, and sandals with the following construction:

- - leather uppers or seasonal materials other than leather (eg canvas);and

- - lace-up, buckle and strap, slip-on, velcro (hook and loop), or elasticized closures.

Footwear shall not include:

- - women's footwear

- - performance athletic shoes, including but not limited to sneakers and shoes for running, active sports, basketball, football, baseball, bowling, aquatic sports, cross-training or golf

- - lounge/house slippers

- - rain shoes, rain boots, or rubbers.

EXHIBIT C

DEVELOPMENT CALENDAR

[____] *

* CONFIDENTIAL INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION

EXHIBIT D1

RECODE DOCKERS ACCOUNTS

[____] *

* CONFIDENTIAL INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION

EXHIBIT D2

CLASSIC DOCKERS ACCOUNTS

[____] *

* CONFIDENTIAL INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION

EXHIBIT E1

SECOND QUALITY AND CLOSEOUT RETAILERS

[____] *

* CONFIDENTIAL INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION

EXHIBIT E2

OUTLET ACCOUNTS

[____] *

* CONFIDENTIAL INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION

EXHIBIT F

ACCOUNT APPROVAL FORM

[____] *

* CONFIDENTIAL INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION

EXHIBIT G

LICENSOR'S CODE OF ETHICS

Levi Strauss & Co. has a long and distinguished history of ethical conduct and community involvement. Essentially, these are a reflection of the mutually shared values of the founding families and of our employees.

Our ethical values are based on the following elements:

A commitment to commercial success in terms broader than merely financial measures.

A respect of our employees, suppliers, customers, consumers and stockholders.

A commitment to conduct which is not only legal but fair and morally correct in a fundamental sense.

Avoidance of not only real, but the appearance of conflict of interest.

From time to time, the Company will publish specific guidelines, policies and procedures. However, the best test whether something is ethically correct is whether you would be prepared to present it to our senior management and board of directors as being consistent with our ethical traditions. If you have any uneasiness about an action you are about to take or which you see, you should discuss the action with your supervisor or management.

EXHIBIT H

GLOBAL SOURCING AND OPERATING GUIDELINES

LEVI STRAUSS & CO.'S

GLOBAL SOURCING & OPERATING GUIDELINES

Levi Strauss & Co. seeks to conduct its business in a responsible manner. We believe this is an important element of our corporate reputation which contributes to the strength of our commercial success. As we expand our marketing activities abroad, and work with contractors and suppliers throughout the world to help meet our customers' needs, it is important to protect our Company's reputation in selecting where and with whom to do business.

Levi Strauss & Co.'s Global Sourcing & Operating Guidelines includes two parts: the Business Partner Terms of Engagement, which address work place issues that are substantially controllable by individual business partners; and the Country Assessment Guidelines, which address larger, external issues beyond the control of the individual business partners.

BUSINESS PARTNER TERMS OF ENGAGEMENT:

The TERMS OF ENGAGEMENT are tool that help protect Levi Strauss & Co.'s CORPORATE REPUTATION and, therefore, its COMMERCIAL SUCCESS. They assist us in selecting business partners* that follow work place standards and business practices consistent with our Company's policies. As a set of guiding principles, they also help to identify potential problems so that we can work with our business partners to address issues of concern as they arise.

Specially, we expect our business partners to operate work places where the following standards and practices are followed:

1. EMPLOYMENT STANDARDS:

We will only do business with partners whose workers are in all cases present voluntarily, not put at risk of physical harm, fairly compensated, allowed the right of free association and not exploited in any way. In addition, the following specific guidelines will be followed.

WAGES AND BENEFITS

We will only do business with partners who provide wages and benefits that comply with any applicable law or match the prevailing local manufacturing or finishing industry practices. We will also favor business partners who share our commitment to contribute to the betterment of community conditions.

WORKING HOURS

While permitting flexibility in scheduling, we will identify prevailing local work hours and seek business partners who do not exceed them accept for appropriately compensated overtime. While we favor partners who utilize less than sixty-hour work weeks, we will not use contractors who, on a regularly scheduled basis, require excess of a sixty-hour week. Employees should be allowed one day off in seven days.

CHILD LABOR

Use of child labor is not permissible. "Child" is defined as less than 14 years of age or younger than the compulsory age to be in school. We will not utilize partners who use child labor in any of their facilities. We support the development of legitimate workplace apprenticeship programs for the educational benefit of younger people.

PRISON LABOR/FORCED LABOR

We will not knowingly utilize prison or forced labor in contracting or subcontracting relationships in the manufacture of our products. We will not knowingly utilize or purchase materials from a business partner utilizing prison or forced labor.

DISCRIMINATION

While we recognize and respect cultural differences, we believe that workers should be employed on the basis of their ability to do the job, rather than on the basis of personal characteristics or beliefs. We will favor business partners who share this value.

DISCIPLINARY PRACTICES

We will not utilize business partners who use corporal punishment or other forms of mental or physical coercion..

HEALTH & SAFETY

We will only utilize business partners who provide workers with a safe and healthy work environment. Business partners who provide residential facilities for their workers must provide safe and healthy facilities.

2. ENVIRONMENTAL STANDARDS:

We will only do business with partners who share out commitment to the environment. (Note: We intend this standard to be consistent with approved language of Levi Strauss & Co.'s Environmental Action Group).

3. ETHICAL STANDARDS:

We will only seek to identify and utilize business partners who aspire as individuals and in the conduct of their business to a set of ethical standards not incompatible with our own.

4. LEGAL STANDARDS:

We expect our business partners to be law abiding as individuals and to comply with legal requirements relevant to the conduct of their business.

5. COMMUNITY INVOLVEMENT:

We will favor business partners who share our commitment to contribute to improving community conditions.

* Business partners are contractors and subcontractors who manufacture or finish our products and suppliers who provide raw materials used in the production of our products. We have begun applying the Terms of Engagement to business partners involved in manufacturing and finishing, and plan to extend their application to suppliers.

COUNTRY ASSESSMENT GUIDELINES:

The diverse cultural, social, political, and economic circumstances of the various countries where Levi Strauss & CO. has existing or future business interests raise issues that could subject our CORPORATE REPUTATION and therefore, our BUSINESS SUCCESS, to potential harm. THE COUNTRY ASSESSMENT GUIDELINES are intended to help us assess these issues. The GUIDELINES are tools that assist us in making practical and principled decisions as we balance the potential risks and opportunities associated with conducting business in a particular country.

In making these decisions, we consider the degree to which our global CORPORATE REPUTATION and COMMERCIAL SUCCESS may be exposed to UNREASONABLE RISK. Specially, we assess whether the:

BRAND IMAGE would be adversely affected by a country's perception or image among our customers and/or consumers;

HEALTH AND SAFETY of our employees and their families, or our Company representatives would be exposed to unreasonable risk;

HUMAN RIGHTS ENVIRONMENT would prevent us from conducting business activities in a manner that is consistent with the Global Sourcing Guidelines and other Company policies;

LEGAL SYSTEM would prevent us from adequately protecting our trademarks, investments or other commercial interests, or from implementing the Global Sourcing Guidelines and other Company policies; and

POLITICAL, ECONOMIC AND SOCIAL ENVIRONMENT would threaten the Company's reputation and/or commercial interest.

In making these assessments, we take into account the various types of business activities and objectives proposed (e.g., procurement of fabric and sundries, sourcing, licensing, direct investments in subsidiaries) and, thus, the accompanying level of risk involved.

Levi Strauss & Co. is committed to continuous improvement in the implementation of its Global Sourcing & Operating Guidelines. As we apply these tools throughout the world, we will acquire greater experience and gain new insight from a variety of sources. The knowledge will enable us to continue our efforts to update our Guidelines, better address issues of concern, and meet new challenges.

EXHIBIT I

OTHER RELATIONSHIPS

Johnston & Murphy

Nautica Footwear

EXHIBIT 10.2

AMENDMENT NO. 1 (RENEWAL)
TO TRADEMARK LICENSE AGREEMENT

This Amendment No. 2 dated October 18, 2004 amends that certain Trademark License Agreement dated August 9, 2000 (the "Agreement"), by and between LEVI STRAUSS & CO., a Delaware corporation, ("LS&CO.") and GENESCO INC., a Tennessee corporation with its principal place of business at Genesco Park, 1415 Murfreesboro Road, Nashville, TN 37217 ("Licensee").

Whereas, LS&CO. and Licensee wish to amend the Agreement as set forth below:

1. Section 2.1, "Initial Term" shall be amended to reflect that the Agreement is renewed for an additional two (2) year period commencing on January 1, 2005 and ending on December 31, 2006.

2. Section 2.2, "Renewal Term" shall be deleted in its entirety and substituted with the following:

   "This Agreement shall be renewed, upon written request of Licensee delivered to LS&CO. not earlier than April 1, 2006 and not later than June 30, 2006, for one additional two year term, commencing on January 1, 2007 and ending on December 31, 2009 (the "Renewal Term"), if: (i) Net Sales of Products for the Annual Period beginning January 1, 2005 are no less than $50,000,000 and (ii) Licensee is in compliance with all terms and conditions contained in this Agreement and there is no outstanding Event of Default existing on the date Licensee delivers its notice of renewal or at any time during the balance of the Initial Term. Licensee shall include with its renewal notice data demonstrating that the renewal condition set out in clause (i) is satisfied, a written certification by the president, a vice president or the chief financial officer to the effect that the condition set out in clause (ii) is met and Licensee's projections for sales of Products during the contemplated Renewal Term. Within thirty (30) days after receipt of Licensee's renewal notice, and again on the last day of the Initial Term, LS&CO. shall notify Licensee whether or not the conditions to renewal set out in this Section 2.2 are satisfied or waived. If they are satisfied, then this Agreement shall be considered renewed. If they are not satisfied, then this Agreement shall expire and terminate at the end of the Initial Term. Licensee's failure to timely deliver its notice of renewal shall be treated as a final decision by Licensee that it has elected not to renew."

3. Section 3.1, "Guaranteed Minimum Royalty" shall be revised to reflect that the Guaranteed Minimum Royalty payments for 2005 and 2006 are as follows:

Annual Period	Guaranteed Minimum Royalty
2005	$3,496,000
2006	$3,600,000

4. Section 3.2, "Earned Royalty" shall be amended such that the last paragraph in Section 3.2(a) is deleted in it's entirety and replaced with the following:

   "Licensee shall pay to LS&CO., no later than thirty (30) days after the end of each quarterly period, an amount equal to the excess of earned royalties in a quarter over the Guaranteed Minimum Royalty for that quarter. Licensee shall pay Second Quality royalty rates on Involuntary Discontinuations. Licensee shall pay First Quality royalty rates on Second Quality Products for any Annual Period to the extent that sales of Second Quality Products (other than Involuntary Discontinuations) are greater than [____]* of total Product sales (in terms of dollars). For any such Annual Period, Licensee shall pay LS&CO., at the time it delivers the annual statement for that Annual Period as described in Section 9.2, an amount equal to the amount during that Annual Period that the Licensee owed for royalties on Second Quality Products in excess of the amount already paid over the [____]*."

5. Section 3.3, "Payment Mechanics" shall be amended to reflect that Licensee shall make royalty and all other required payments to LS&CO. in U.S. Dollars by wire transfer to:

   [____]*

6. Section 4.2, "Consumer Advertising" shall be deleted in its entirety and replaced with the following:

   "During each Annual Period, Licensee shall pay to LS&CO., or to such other person or entity as LS&CO. may designate, an amount equal to [____]* on projected Net Sales up to [____]*, [____]* on projected Net Sales between [____]* and [____]*, and [____]* on projected Net Sales over [____]* on products (the "Marketing Contribution") as defined in the Sales Plan referenced in Section 4.1 of the Agreement (the "Marketing Contribution"). Licensee shall pay these amounts to LS&CO. within thirty (30) days after receipt of invoices from LS&CO., it being understood that LS&CO. will issue these invoices three times per Annual Period on April 1, July 1 and October 1. If actual aggregate Net Sales exceed projected Net Sales for any Annual Period, then Licensee shall pay to LS&CO. an agreed percentage of the excess, with that amount payable in, and for use during, the next Annual Period, in addition to the Marketing Contribution otherwise

* CONFIDENTIAL INFORMATION HAS BEEN OMITTED AND FILED SEPARATELY WITH THE COMMISSION

due for that Annual Period. Marketing Contributions shall be separate from and shall not be subject to credit for expenditures by Licensee for cooperative advertising, trade advertising, fixture programs, trade shows, sampling or any other promotional or sales material. LS&CO. shall use these funds for consumer marketing of the brand and branded products through vehicles and at the times and in the manner as LS&CO. may determine, Licensee acknowledging that it may not receive any direct or pro rata benefit from its Marketing Contributions.

7. Section 6.7 "Performance Attributes and Protocol." The following Section 6.7 shall be inserted after Section 6.6 as follows:

6.7 Performance Attributes and Protocol. Licensee acknowledges that, from time to time, LS&CO. may provide certain guidelines for developing specific chemical or technological Product performance attributes ("Performance Attributes") to Licensee. Licensee further acknowledges that any Performance Attributes presented to Licensee must be tested in accordance with the relevant protocol presented to Licensee ("Performance Protocol") and must be marketed and sold in accordance with LS&CO. marketing strategies associated with the Performance Attributes. Licensee agrees that it shall not sell any Products containing or identifying any Performance Attributes without first (a) complying with the associated Performance Protocol, (b) submitting the results from certain tests identified in the Performance Protocol to LS&CO. and (c) submitting Product packaging, including but not limited to Product hang-tags, to LS&CO. for approval. LS&CO. shall have the right, in its sole discretion, to revise, supplement or replace the Performance Attributes and/or the associated Performance Protocol from time to time and may cause Licensee to discontinue production or sale of any Product containing Performance Attributes in the event that Licensee is not in compliance with this Section 6.7. Licensee acknowledges that consistent presentation of all Performance Attributes associated with the Trademarks is essential to LS&CO.'s marketing strategy and that information provided to Licensee in connection with this Section 6.7 constitutes Confidential Information (as defined in Section 17.1) and/or Proprietary Information (as defined in Section 17.2).

8. Section 10 of the Agreement shall be replaced with the following:

Global Sourcing and Operating Guidelines

10.1 LS&CO. Reputation. LS&CO. has and is determined to maintain a worldwide reputation for ethical business conduct. To that end, LS&CO. adopted Global Sourcing and Operating Guidelines ("GSOG") setting forth standards of conduct it requires from, among others, its licensees, including Licensee. Licensee acknowledges that its conduct, and the conduct of any subcontractor, must reflect positively on LS&CO.'s reputation and accordingly agrees to the provisions of this Section 10.

10.2 Ethical Responsibility. Licensee agrees that Licensee shall, and shall cause its subcontractors to follow the highest standards of business ethics in conducting all aspects of its operations under this Agreement.

10.3 Global Sourcing and Operating Guidelines.

(a) Licensee represents and warrants that its key officers and managers have read and understand the GSOG, including but not limited to its Business Partner Terms of Engagement ("TOE") and the Country Assessment Guidelines attached to this Agreement as Exhibit H.

(b) Licensee agrees that it shall, and shall cause its permitted subcontractors to, comply with the requirements of the GSOG at all times.

10.4 Effect on Compliance with Laws. Licensee shall be fully responsible for compliance with all local laws and regulations applicable to Licensee's operations. If the requirements of the GSOG are stricter than the requirements of applicable law, the requirements of the GSOG shall control.

10.5 TOE Assessment. Licensee acknowledges that LS&CO. requires official, approved TOE assessments ("TOE Assessments") to be performed from time to time to ensure TOE compliance on all manufacturing facilities or subcontractors used by Licensee to produce any Products, including branded samples. Beginning on December 1, 2004, Licensee shall conduct all TOE Assessments required by LS&CO. through Verite Inc. or another LS&CO. approved third-party monitoring company.

(a) [____]*

(b) For the purposes of monitoring compliance with this Section Licensee shall provide LS&CO. with a complete list of all the manufacturing facilities, subcontractors and suppliers it intends to use, including details of the purposes of the proposed use of such manufacturing facilities, subcontractors and suppliers. Licensee represents that it is presently using the third-parties listed on Exhibit J to manufacture Products, and that it is not subcontracting with a third party beyond those listed on Exhibit J. Licensee shall, within thirty (30) days after completion of a manufacturing facility TOE Assessment, deliver a copy of the assessment to LS&CO. Licensee shall not begin production at any manufacturing

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facility until LS&CO. reviews and approves, as specified under Section 19, the TOE Assessment.

(c) It is understood and agreed that LS&CO. makes no representations or warranties with respect to the GSOG, including the TOE and the TOE Assessments, and that LS&CO. shall not be liable to Licensee or its subcontractors or its suppliers for any failure to comply with the GSOG, the TOE or the LS&CO. Restricted Substances List. Any verification or monitoring shall not relieve Licensee from its obligation to strictly comply with the GSOG, the TOE, the LS&CO. Restricted Substances List and all applicable laws and regulations.

10.6 Effect of Breach. This Section 10 is of the essence of this Agreement. Any failure by Licensee or any of its subcontractors to comply with the GSOG shall be grounds for declaration of an Event of Default by LS&CO. under Section 13.

9. Section 13.1(i) shall be amended by inserting the words, "or Proprietary" between "Confidential" and "Information."

10. Section 13.2 "Effectiveness and Cure" shall be amended by inserting subsections "(a)" and "(i)" in both occurrences.

11. Section 15, Indemnity, is hereby amended by adding Sub-section 15.3, "Licensee Indemnified Claim Notification and Handling" as follows:

    [____]*

12. Section 17.1 "Confidential Information" shall be substituted in its entirety by the following:

    17.1 "Confidential and Proprietary Information." Except as otherwise provided in this Agreement, all information disclosed by one of the parties (the "Discloser") to the other party (the "Recipient") is considered confidential and: (i) shall remain the exclusive property of the Discloser; (ii) shall be used by the Recipient only in connection with its performance under this Agreement; and (iii) shall be maintained in confidence by Recipient as described in this Section 17. "Confidential Information" means any formula, pattern, program, method, marketing programs, profitability, corporate strategy, technique, process, design, sketch, color card, color story, artwork, know-how, specifications, procedures, development plans, methods of production, use, operation and application, material, business plan, customer or personnel list or financial statement, Performance Attributes or Protocol, or any Proprietary Information, or any other information which is not available to the general public. "Proprietary Information" means any and all information disclosed by LS&CO. to Licensee related to any LS&CO. design, design schedule, line- strategy, marketing

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program, business plan, technology, any Sales Plan, Performance Attribute, Performance Protocol and any other information clearly marked "LS&CO. Proprietary Information." Confidential Information shall include, without limitation, information disclosed in connection with this Agreement, but shall not include information that: (i) is now or subsequently becomes generally available to the public through no wrongful act or omission of Recipient; (ii) Recipient can demonstrate to have had rightfully in its possession prior to disclosure to Recipient by Discloser; (iii) is independently developed by Recipient without use, directly or indirectly, of any Confidential Information; or (iv) Recipient rightfully obtains from a third party who has the right to transfer or disclose it.

13. Section 24.2, "Relationship of the Parties" is hereby amended by adding to the fifth paragraph, after the words, "...personal injuries" the phrase, "timely handling of Indemnified Claims,..."

14. Except as set forth above, all other terms and conditions contained in the Agreement shall remain in full force and effect.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 1 by their respective officers hereunto duly authorized as of the day and year first written above.

LEVI STRAUSS & CO.	GENESCO INC.
By: /s/ Bobbi Silten	By: /s/ Jonathan D. Caplan
Bobbi Silten	Name: Jonathan D. Caplan
President	Title: CEO, Genesco Branded
Dockers(R) & Slates(R) U.S.	Footwear

EXHIBIT 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Hal N. Pennington, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Genesco Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 9, 2004

/s/ Hal N. Pennington

Hal N. Pennington
Chief Executive Officer

EXHIBIT 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, James S. Gulmi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Genesco Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 9, 2004

/s/ James S. Gulmi

James S. Gulmi
Chief Financial Officer

EXHIBIT 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Genesco Inc. (the "Company") on Form 10-Q for the period ending October 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Hal N. Pennington, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Hal N. Pennington
- ---------------------
Hal N. Pennington
Chief Executive Officer
December 9, 2004

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Genesco Inc. (the "Company") on Form 10-Q for the period ending October 30, 2004, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James S. Gulmi, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James S. Gulmi
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James S. Gulmi
Chief Financial Officer
December 9, 2004